THE Freeman

IDEAS ON LIBERTY

JANUARY 1959

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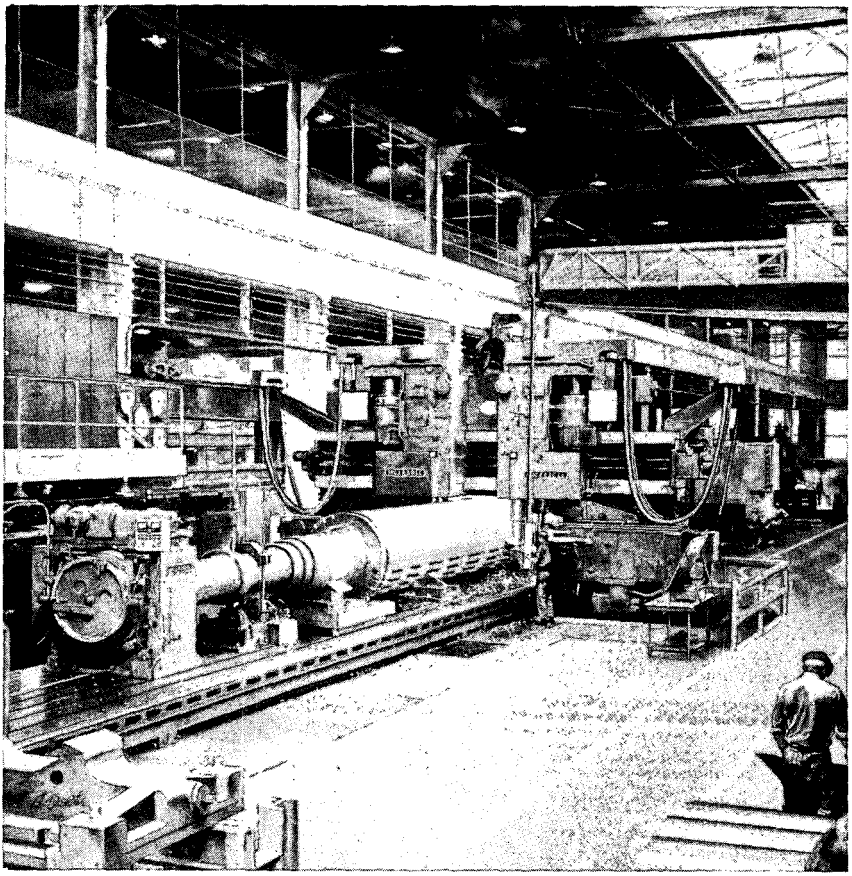

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Khrushchev's Bogus Challenge

Those who practice and maintain their freedom need not be concerned about it.

WILLIAM HENRY CHAMBERLIN

IN THE INTERVALS between rattling his rockets, boastful and garrulous Soviet dictator Nikita Khrushchev has been challenging the United States to a legitimate peaceful competition as to which system, communism or capitalism, will provide better living conditions for the people who live under it. This is a challenge which, on the basis of past performance and future prospects, we can cheerfully and confidently accept.

Some time ago the top boss of all the Soviet republics, without being too specific about the date when this would be realized, announced that Russia would get ahead of the United States in per capita output of meat and dairy products. His more recent boast, after a trip to Hungary last spring, was that the Soviet Union would surpass the United States in the output of consumer goods. "Then we will see who eats better and who has more clothing." Still more recently Khrushchev declared that the figures of the new Soviet Seven Year Plan, which will run from 1958 until 1965, would "amaze the world."

The superiority of the American standard of living to the Soviet is one of the biggest stumbling blocks to Soviet propaganda. Despite the frantic and highly mendacious efforts of Soviet state-controlled newspapers to paint

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America as a country where the workers live in misery, victims simultaneously of inflation and unemployment (no mention of the fact that unemployment compensation – our domestic brand of socialism – provides a much better standard of living than the average employed Soviet worker enjoys) most Russians know that the United States is well ahead of their own country in material well-being.

The clothes worn by the average American tourist, the car which the occasional American drives into Russia, are more eloquent than any amount of Voice of America broadcasting. Millions of Russians in uniform got into Germany and Austria after the last war and many of them got an idea of the superior rations and pay of the American soldier.

A Soviet Obsession

To get ahead of the American standard of living has long been a matter of prestige, almost an obsession with the Soviet leaders. Almost thirty years ago, just when the first Five Year Plan – with its expropriation of the peasants and its sacrifice of consumer goods in the present to building huge factories to produce tractors, machines, and chemicals in the future – was condemning most Soviet citizens to extreme hardship and some to actual starvation, Stalin grandiloquently declared:

"When we put the Soviet Union on an automobile and the peasant on a tractor, then let the worthy capitalists, who boast so loudly of their 'civilization,' try to overtake us."

It was an official Communist party slogan in Russia at that time "to overtake and outstrip America." And a contraband joke went the rounds by word of mouth of a humble Soviet citizen going up to a communist and whispering:

"Comrade, when we just come abreast of America, let me off. I don't want to go any further."

Stalin did not live to see the day when the Soviet Union was ahead of the United States in goods and services provided for its people. And it is a safe prediction that Khrushchev, to turn against him one of the homely peasant figures of speech of which he is so fond, will no more see the Soviet Union ahead of America in output of food and consumer goods than he will see his own ears. And this prediction also goes for Khrushchev's successor, whoever he may be.

Some fainthearted and gullible persons in the United States have been so impressed by Soviet success in putting earth satellites

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(which add nothing to what people can eat or wear) in orbit and by greatly exaggerated reports of the efficiency of Soviet education (which has just been subjected to a major overhaul) that they were inclined to accept the probability that Khrushchev might make good on his "overtake and outstrip America" program. But a few comparative facts and figures, based on Soviet official sources, which many economists believe are computed on a basis calculated to magnify achievements and minimize deficiencies, show clearly that the United States possesses such a tremendous lead in standard of living that the Soviet Union could not hope to catch up in any predictable period of time.

Freedom Outyields Coercion

In many ways, contrary to general belief, the United States is further ahead of the Soviet Union now than it was over forty years ago, when the Czar was overthrown and Lenin and his Communist party took charge. For year in and year out, even in times of depression and recession, the United States, under its comparatively free enterprise system, has been turning out an infinite variety of goods for the consumer, including such expensive durables as automobiles, refrigerators, washing machines, radios, television sets. This output, in terms both of quality and quantity, is so far ahead of the Soviet that there is really no basis of comparison.

Money income comparisons between the two countries are almost meaningless because the rate of exchange for the Soviet ruble is completely arbitrary and strictly phony. Officially, four rubles are the equivalent of one dollar. An unskilled worker earns from 300 rubles (the minimum wage) to 500 rubles a month; a skilled worker may go as high as 1,000 to 1,200. The average wage is estimated by John Gunther in *Inside Russia Today* at 650-800 rubles.

Here are some current prices of everyday goods, as reported partly by Gunther, partly by a more recent visitor to Russia, Mr. Victor Meier, East European specialist for the *Neue Zuercher Zeitung*, one of the most highly reputed newspapers in continental Europe.

Nylon blouse – 320 rubles
Chocolate bar – 14.80 rubles
Washing machine (inferior small type) – 800 rubles
Man's felt hat – 160 rubles
Butter – 28.50 rubles a kilo (2.2 pounds)
Beef – 15 rubles a kilo
Pair of shoes – 200-500 rubles
Man's shirt – 90-300 rubles

Set these and other similar prices for staple foodstuffs and articles of clothing against an av-

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erage monthly wage of 650 or even 800 rubles, and one sees that the Soviet worker enjoys a pretty meager standard of living, a standard incomparably far below that of the worker in America or in almost all countries of Western Europe.

Poverty Persists behind Curtain

John Gunther, who almost leans over backward in his attempt to be fair, to give credit for Soviet achievements wherever credit is due, reaches the conclusion: "The great majority of the people are sordidly poor."

Victor Meier, who by his work is quite familiar with the poverty which is general throughout Eastern Europe, sums up his impressions of a visit to the Soviet Union as follows:

"As far as the people's living standards are concerned, we thought we knew all about it before we arrived here. But we found the reality worse. Soviet living standards are considerably below those of the satellite nations, with the exception possibly of Romania, Bulgaria, and Albania. Poland had impressed us as a poor and suffering country when we crossed it on our way to the Soviet Union. It looked relatively prosperous to us on the way back. Its fields seemed better tended, its flocks more numerous, its people much better dressed. A detail: Eyeglasses, which are most difficult to obtain in the Soviet Union, seem to be plentiful in Poland, and dark glasses, in particular, for which exorbitant black market prices are being paid in Moscow, apparently are no longer a luxury in Warsaw."

Gunther, with his well-known reporter's camera eye, had these observations on Moscow, which has always been the show window of the Soviet Union, far better provided than the provincial towns:

"One reason why the streets are so thronged at night, even in winter, with crowds solidly marching down the boulevards in broad phalanxes and men and women carrying infants swaddled to the eyes, is that homes are so unbelievably crowded, squalid, and uncomfortable. People, even after a hard day's work, rush out of doors simply because the circumstances of life at home are so tedious, if not unbearable. . . .

"What contributes most to Moscow's superficial look of drabness is people's clothes. These have certainly improved in the last few years, but they are still revolting . . . Russians are, as a result, acutely conscious of the clothes foreigners wear, particularly their shoes, and people on the street will offer to buy your shoes off your

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feet. The whole country has a fixation on shoes. Moscow is the city where, if Marilyn Monroe should walk down the street with nothing on but shoes, people would stare at her feet first."

And in the sizable Black Sea port of Novorossisk, what struck Gunther most was that "so far as we could tell, there was not a single cafe in the whole city, not a place to sit down in, chat with our guide, who had a characteristically Russian volubility, and have a drink. We saw nothing but the lean walls of factories and tenements, blotched with snow."

Inedible Plans and Statistics

Soviet leaders in their official speeches and Soviet apologists among foreign visitors try to divert attention from the deadly drabness of Soviet daily life by two methods. They pour out reams and volumes of statistics about increasing output of coal, iron, steel, cement, copper, and whatnot. And they point to new buildings, new installations, subways, dams, hydroelectric power plants, factories which have sprung up since the Revolution.

But there is a fallacy in both these approaches. Few Americans, except economic specialists, know or care how much coal or steel or copper or electricity is produced in the United States. What Americans are interested in is what they can buy in the shape of food, cars, houses, household appliances, and other consumables. Statistics are not something that can be worn or eaten. It does the Muscovite, crowded with his family in one or at best two rooms in a squalid tenement, little good to tell him that the government proposes to build such and such a quantity of housing in 1965.

The argument which has impressed some impressionable visitors to Russia, that the Soviet regime, if it has not "overtaken America," has achieved wonders in transforming an economically retarded country, is also open to serious objection. For the assumption is that Russia, under a different political and economic system, would have stood still during the last forty years. And such an assumption is contrary to the facts of Russian development before the Revolution.

Pre-Revolutionary Progress

During the forty years before 1917, Russian businessmen and engineers, with the aid of foreign capital, built a large network of railways, created centers of industry that were quite up-to-date for the time, developed the coal and iron resources of the Donets Basin and the Valley of the Volga. Russian grain, largely produced on

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efficient private estates, flooded the markets of Europe. The money received for this grain made possible the importation of many European products that made daily life much easier for the average Russian. The Russian standard of living, low by West European standards, was steadily rising. There were not enough schools, but the number was steadily increasing. Some of the most solid apartment houses in Moscow and Leningrad, far better constructed than the typical Soviet housing project, bear dates between 1905 and 1914.

So there is every reason to assume that during a period of forty years Russia under a noncommunist political and economic system would have gone ahead and achieved most, if not all, the economic progress for which the existing regime likes to claim exclusive credit. There is also every probability that this progress would have been achieved without certain accompaniments for which the Soviet regime bears exclusive responsibility: famine, slave labor camps, and a prodigious discrepancy between what the people produce and what they receive. This discrepancy is explained partly by the obsession of the Soviet leaders with militarist development, partly by the prodigious losses and waste motion which are inevitable when a bumbling, fumbling bureaucracy tries to replace the normal functioning of the free market with arbitrary decrees regulating production, wages, and prices.

Consider the Facts

A few indisputable facts and figures show how fantastic is the suggestion that, within any future in sight, the Soviet Union will provide better living for more people than the United States does at the present time. One-eighth of the American population, working on farms with modern machinery and improved agricultural methods, produces enough to feed the whole country and even to pile up unmanageable surpluses, along with exports for foreign markets. Over half the Soviet population, employed in agriculture, produces a distinctly skimpy diet for the Soviet people — a limited privileged upper class excepted.

The United States normally produces about six million passenger cars a year and has gone as high as eight million. The Soviet Union's record output of motor vehicles, in 1957, was 495,000, but most of these were trucks. There were only 114,000 passenger cars. So the motorcar advantage of the United States is about fifty to one. Most Soviet cars are reserved for the needs of the state and party bureaucrats.

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The holiday on the road is a commonplace for vast numbers of Americans, including a great many workers and farmers. And this type of holiday is being enjoyed more and more in Western Europe. But it is virtually unknown in the Soviet Union. Visitors to Russia who have motored from the frontier to Moscow or from Moscow to the Crimea are impressed by the absence of traffic on the roads. The arrival of a car, especially a car of foreign make, in a Soviet village arouses excitement and interest comparable with the circus coming to town.

The United States reported over 60 million telephones in operation at the beginning of last year; the last official figure for the Soviet Union was 861,000, only a little over the average annual number of new installations in the United States. One of the first discoveries of the visitor in Moscow is that there is no generally accessible telephone book.

It is not only in comparison with the United States that the Soviet Union comes off badly, on the showing of its own figures, in Khrushchev's chosen field of competition: economic well-being. The Federal Republic of Germany, a speck on the map compared with the Soviet Union, is much poorer in natural resources and was flat on its back ten years ago, as a result of war bombing and negative occupation policies. But Germany in recent years has been turning out, by comparison with the Soviet Union, more than twice as many automobiles, three times as many cameras, almost three times as many motorcycles, and more watches and television sets. And what West Germany actually put up in housing in 1957 was very close to what the Soviet Union planned to build, although the Soviet population is four times the German, and the Soviet need in housing is almost indescribable.

Giving People What They Want

A dictatorship, able to conscript labor and concentrate all national resources on a single objective, can always put over a crash program for building pyramids, auto highways, sputniks, or whatever may be the immediate desired objective. But only a free economy can give its people a high standard of living. Such a standard of living never has and never will come about as a result of state planning and allotment and allocation, of fixed wages and prices and state directed labor.

For a plausible definition of a high standard of living is giving people what they want. And this can only be done when a large number of producers, big and small, are dependent for profit and

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survival on satisfying the needs and desires of consumers, as expressed through a free market, giving the individual not so many square yards of housing space, but the kind of house he wants, along with a long list of other commodities and services. Only an economy operating on the powerful twin motors of the profit and wage incentive system and the competitive free market can give the individual the complex of material satisfactions that add up to what is known as a high standard of living.

It is the failure to gear production to consumer needs and desires that makes for the appalling drabness which even friendly and sympathetic observers usually report after visiting the Soviet Union and other communist-ruled countries. This is why Soviet clothes are so shoddy and Soviet apartments often begin to show cracks in the plaster as soon as they are put up and why John Gunther could not find a single public cafe or tearoom in Novorossisk where he could sit down and relax.

Communism cannot give freedom, political or economic or cultural, without ceasing to be communism. That is why the Soviet Union will always lag far behind the United States in the enjoyments and satisfactions which it can give its people – unless Russia scraps communism or the United States persists in its abandonment of the basic principles of the free individualistic economy.

IDEAS ON LIBERTY

Liberty at Stake

THE SOVIETS have tried to legislate the perfect society; and today the average Soviet citizen has little more freedom and less comfort than the inmates of American jails. The old American philosophy of government more effectively promoted the ideal of human freedom, with greater material abundance for more people, than any social system ever propounded; freedom to live under the minimum of restraint – freedom to make your own mistakes if you will. The fundamental and ultimate issue at stake, therefore, is not merely our money. It is liberty itself: the excessive taxation of an overgrown government *versus* personal freedom; a least common denominator of mediocrity against the proven progress of pioneering individualism; the free enterprise system or the cult of blind conformity; the robot or the free man.

GENERAL DOUGLAS MACARTHUR, 1957
Report to Stockholders, Sperry Rand Corporation

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THE Alternative TO Competition

E. W. DYKES

FROM TIME TO TIME we are told that competition is an evil thing. Few among us will deny that it certainly produces its trying moments. There are, in fact, some persons who will argue that the harm from competition far exceeds any possible good which may result.

For example, they suggest that the student who does not get good grades suffers damage to his ego and may react in a most unsociable manner. I am sure there have been cases of persons who have failed in business and who have become bitter and despondent — perhaps even to the point of suicide. Some will say that these persons were victims of the urge to make a profit — a compulsion even worse than ordinary competition. "Cooperation," they say, "— not competition — is what is needed for the good society." To equate competition with "the law of the jungle" is to leave little doubt in one's mind of its implied nature.

These ideas of the harmful effects of competition receive considerable support from various sources. Many school systems have eliminated grading on a competitive basis. Labor unions have undertaken to remove competition for jobs and to remove competition between individual workers on specific jobs by setting standard rates for a standard output which the least productive worker can meet. Some businessmen press for "fair trade" laws which will eliminate price competition on certain items. They may urge tariff barriers to protect them from the rigors of foreign competition. Farmers vote for subsidies and acreage controls to escape the vagaries of the free market. And so on and on, countless examples might be written, all of which show how we try to escape competition.

I suspect that most people be-

Mr. Dykes is an architect from Canton, Ohio.

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lieve competition to be neither generally good nor generally bad, but that a "middle-of-the-road" process will most likely produce a healthy society. They are all for competition in a horse race or in the American League or even among the suppliers of the things they have to buy, while going to no end of trouble to eliminate it, by law if necessary, in their own field as sellers.

Regarding competition, per se, they have no definite convictions. But persons with definite convictions about anything appear to be in rather short supply. Strong beliefs are developed by intimate knowledge of the true nature of the subject. If this be true, then it follows that we need to find the true nature of competition and then judge its merits.

A Noncompeting Society?

It is useful, at times, to examine the extreme point of view to show the probable effects of a particular policy or action and to indicate the direction most likely to produce desirable results. My study convinces me that there is but one "alternative" to competition. If I can show what the "alternative" actually is, that may help the part-time competitors in making a clear-cut choice.

Let us assume that we abandon competition in our society as of tomorrow. At once there would be a mad rush of people from their present jobs to more glamorous or more highly paid jobs. Thousands decide to be big league ball players. Hundreds of thousands decide to be movie stars. Those ready to become bank presidents are in oversupply. No one hauls garbage. No one waits on tables or digs coal. And since price competition is eliminated, no one knows how much to charge or how much to pay for a particular product. As a matter of fact, the dislocation would be so complete that the economy would come to a standstill. Clearly, competition cannot be eliminated overnight. A great deal of advance work would be needed if such a move were not to result in total confusion.

So let's go at it another way. Assume a society in which competition is to play no part from the very beginning. Our first problem is to decide who will do what. For instance, who will be the doctors? Who will write music? Sell shoes? Make shoes? What will determine prices and wages? Who decides all these things? Certainly not one person because he would be a dictator. A committee, perhaps, but who shall choose the committee? It's difficult, indeed.

It looks as though we'll have to have some competition – at least enough to select a committee. And

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so we have to select nominees, take a vote, and of course, accept a decision arrived at competitively. We will select those with the most votes. Now, perhaps, can't we do away with all competition?

Who Shall Be the Doctor?

Then the committee is faced with the questions: Who shall be doctors and who shall write music and so on. Before they face up to that one, an infinitely more difficult problem faces them. How *many* shall be doctors? Will specialization be allowed or shall that become a subproblem after deciding how many doctors? And what about fees, prices, and wages? How will they be determined? Will any persons be appointed to act as inventors? Will anyone be set apart to occasionally don an asbestos suit and step into a flaming oil or gas well out of control? Who will become the lawmakers? This last may give a clue as to where the committee will locate itself.

It is not necessary to labor the point further to show that the committee has its hands full. But let us assume that a formula has been worked out by the committee. An extremely large catalog of possible occupations has been set up which takes account of the innumerable differences in jobs and which describes each in sufficient detail to render selection a little easier. Now we are ready to select the actual people to man these occupations.

"Everybody stand up and count off. The first 2,000 are doctors, the next 1,000,000 go to the factory suboffice and get divided up there." And so on. Ridiculous, isn't it? Of course, that couldn't be the way. "We'll give tests – aptitude tests, of course." And so a long series of aptitude tests are evolved with thousands of subtests and gradations in order to match as easily as possible the many variations in a particular job category. Now, shall the "best" jobs be given to those with the highest grades? Or is that too competitive? Finally, we decide that we must introduce that much additional competition.

Where Shall He Live?

Where shall people live? Obviously, all the doctors can't be in one town or state and all the blacksmiths in another. The formula must be applied and all the jobs filled in the right proportion. The committee, of course, must decide who lives in what towns, too. Well drillers can be easily placed, you see, because it's well known where oil can be found – isn't it? And this brings up an interesting point. Who decides precisely where the bit shall bite? And how shall a test be devised to find that man?

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On the inventors' list, what shall we decide to have invented? And if something amazing comes out of it, what will that do to the formula? Dizzy? Then don't get elected to the committee.

And I shouldn't want to sit on the subcommittee which sets prices and wages either. That committee would have to bring wages and prices into balance so that everything produced could be bought. How to decide how much of even one single item should be produced almost defies comprehension. For instance, how many radios will be sold next month? How would we decide how much a doctor would be paid in contrast with a day laborer – or would they both get the same? The committee must decide. There is no other way – the law has been passed.

Compete or Submit

It should be clear from the foregoing that all matters which are not decided by competition must be decided by decree. In other words, if wages, prices, production, jobs, and successful inventions are not set or selected by competition, then an authority has to rule on them step by step.

In other words, the "alternative" to competition can only be the planned society. Every successful attempt to rule out competition in any area is but a step nearer the socialized state. We have taken far too many such steps already. The more we do without competition the more planned is the society. Admitting for one reason or another that some persons of high potential are occasionally and temporarily bypassed in the free, competitive society, it should appear clearly that the way to find the best of anything is to allow competition to decide. Just as the best ball players are competitively selected, so it is for surgeons, professionals, bank presidents, and playwrights.

The market place operates constantly with millions – no, billions –of decisions each day to elevate the best to the top, and each of us may aspire to reach the top. Consumers, in their market decisions, actually decide who or what shall succeed or fail. Good products are selected by each of us, voting in the market place with pennies and dollars as votes. High living standards are the direct result of competition. Competition, far from being the evil thing it is often represented to be, is the guarantee of the best for the least . . . the most often.

Opportunity for Cooperation

Now let us recall the brief reference, early in the discussion, to the suggested need for cooperation rather than for competition. To

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search for a clear insight to this problem, ask yourself, "With whom shall I cooperate?" The anticompetition adherents will say, "With everyone, of course." It is a pleasant idea, one with which few will argue. It just happens to be impossible. For example, if you purchase a Ford, the sellers of other makes would hardly decide that you have cooperated with them. When a maiden selects her spouse, her other suitors must necessarily have been rejected. Competition, you see, serves to select the persons with whom you would most like to cooperate – and it leaves you free to decide for yourself who they shall be. But this is a subject which, of itself, might be deserving of an essay. Suffice to say that cooperation and competition, diverse though they may seem to be, go hand in hand in the free society. The planned society, as it eliminates competition, eliminates the basis for voluntary cooperation and substitutes "planned cooperation," whatever that is.

In planned societies the committee is always replaced by the strong man – the dictator. Competition and a planned society are incompatible. Freedom and a planned society are impossible. Free people and competition are inseparable.

The "alternative" to competition is to give up your freedom. • • •

IDEAS ON LIBERTY

A Proposition in Lower Mathematics

THE MEMBERS of the last generation that had to wrestle with the problem of the Highest Common Factor, seem now to be either dying or dead. It may therefore be desirable to recall the nature of the problem. The H.C.F. of 24 and 36 is 12. If we include 30 as a third member, it is 6. Taking in 21 reduces the H.C.F. to 3. With 23, it is unity.

These facts point to some generalizations. Including further numbers can never raise the H.C.F. The best that can be hoped for is that it will not be lowered. This possibility starts against long odds which quickly reach infinity. With all numbers in, the H.C.F. is the smallest possible – which is one.

The moral? If the common factor is intelligence and all numbers are in, the level of the Highest Common Factor is the level of the lowest intelligence. This is the outstanding feature of democracy.

DOUGLAS SEYMOUR

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How Green is the Emerald Isle?

Concerning the "orthodox" economic development of Ireland

WILLIAM H. PETERSON

CURRENTLY STRESSED by economists and statesmen concerned with economic matters is "economic development." The phrase refers to planned economic growth for certain areas. The areas almost cover the globe, for practically every nation of the world has some sort of program for economic development. In the United States, virtually every state and major municipality is similarly imbued. The drive is for new industry, new capital to provide jobs and tax revenues.

For the so-called "underdeveloped" nations, the matter is especially pressing. The clamor is to "catch up" with the advanced economies. Native populations demand the good things of life, and to a large degree a politician's security depends on his getting them. How he gets them adds up to what Economist P. T. Bauer of Cambridge University labels an "orthodoxy." The orthodoxy generally calls for exchange control, inflationary schemes, tariff protection, full employment policies, tax gimmicks, government loans – in a word, intervention, ranging all the way to outright socialism.

The frustrations of applied economic development are readily found in Ireland. The de Valera government has an aggressive development campaign underway. Advertising and brochures proclaim the virtues of the Irish economy and invite foreign capital. For foreign investments the government will pay as much as the full cost of site and plant and half the cost of machinery and training. A statement in the brochure, *Opportunities for Industrialists in Ireland*, reads: "No income tax or corporation profits tax is payable on profits earned on new exports for a period which for the present is five years." The five-year period has just been increased to ten. An Irish Industrial Development Authority has been established which

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includes a mission in the United States to help drum up American capital.

The Need for Capital

The Irish government has plenty of reasons to be hungry for capital. Ireland is a poor country – its annual per capita gross national product is but $509 (Switzerland, by way of contrast, is $1,229; the U.S. is $2,343). Pockets of unemployment persist. Marriages are delayed. The migratory flight of Irish, mostly into Britain, numbers around 40,000 a year. And Ireland's greatest rival, Northern Ireland, which has "kept the link with Britain," has long been more prosperous, recently winning such additional foreign investments as a Du Pont plant making neoprene synthetic rubber at Londonderry and a Chemstrand plant making "acrilan" fiber at Coleraine.

And on the face of things, Irish investment looks good. Labor is plentiful. Wages are among the lowest in Western Europe. There's a superabundance of water for industrial use; a lot of relatively cheap electricity from peat; good deep-water ports; easy air access to the rest of Europe; and of importance to British, Canadian, and American capital, English is an official language.

But probing deeper, the visitor to Ireland finds that all is not green on the emerald isle. Take the matter of language. Is English assured? A tremendous effort is being made to restore the ancient tongue of Gaelic. Gaelic study is compulsory in all public schools. Bar examinations require Gaelic proficiency. Then the Irish Revolution is still, seemingly, being fought. Both parties, Fianna Fail and Fine Gael, demand the end of "partition." They want union with the North – but under Dublin rule of course. Unofficially, the IRA "army" of Irish patriots conducts sporadic raids on military and industrial installations in Northern Ireland and ammunition depots in Britain, sometimes inflicting great damage, while the Irish government looks the other way.

Investors Are Discouraged

The economic complications are even more significant. While expropriation of foreign capital is forbidden by law, there is enough nationalization around to worry the foreign investor about subsidized competition. Completely government-owned are electricity, steel manufacturing, peat, and rail and bus transport. The Irish government is either the only shareholder or the majority shareholder in the following companies: Irish Air Lines, Irish Shipping,

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Irish Sugar, Irish Insurance. Moreover, through its 100 per cent owned Industrial Credit Company, the Irish government has "assisted" many marginal enterprises – Irish copper mines, for example. In an interview, Mr. Sean F. Lemass, Ireland's Minister of Commerce and Industry, when asked about the government takeover of so many industries and companies, said: "Why not? They're all making money, aren't they?"

The interventionist mentality is seen in the government's land policy. A series of land acts has enabled the Irish government to break up any large tracts of land which the government considers as being run "unproductively." The owners are reimbursed but they must sell. Similarly, the government has forcibly combined small farms into larger "economic" units. The rub here is that the government has had some trouble defining just what is an "economic" farm unit. According to Mr. Lemass, the government first figured on a farm that could be worked by two horses. Now there's an attempt to figure on a tractor. But this raises questions: How big a tractor; and how many poor Irish farmers own a tractor?

Other economic complications include inflation, protection, and welfarism. Ireland is a Welfare State, complete with public housing, social security, and state medicine. There's a progressive income tax, ranging up to 80 per cent. There are pro-union labor laws. "All this constitutes a heavy burden on investment," said a leading Dublin banker privately, "and welfarism is hardly calculated to inspire the Irish people to save and invest for their own future." Might any of the welfarism be repealed? Not likely, said the banker. "You must remember that Ireland is a democracy."

Inflation Is a Problem

Inflation, though not as bad as in some of the Latin American republics, plagues Ireland. For quite some time the country has had deficit budgets and negative balances of payments (imports exceeding exports), key causes of inflation. An idea of the amount of inflation may be inferred from figures supplied by Ireland's central bank. In 1939, the average total of Irish notes and coin in circulation amounted to £17,605,098. By 1945, the average circulation had jumped to £38,787,459; by 1950 to £54,769,664; and by March 1958 to £80,498,768. Naturally, Irish prices have also sky-rocketed, disrupting investment, depreciation allowances, long-term contracts, the purchas-

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ing power of the Irish pound (down 30 per cent just since 1950), and so on.

Barriers to Foreign Trade

Perhaps the most incongruous part of the Irish development story is Ireland's insistence on high-tariff protection of Irish industry while it seeks capital to bolster exports to solve its balance of payment difficulties. Protection, however, quite logically impedes Irish exporters and forces Irish consumers to buy high-cost domestic goods. "The government is trying to ride two hobby horses at once," says Professor G. A. Duncan of Dublin's Trinity College, a student of economic development and a critic of the government's policy. Protection may be doomed, however, for Ireland will probably be forced by circumstances to join the free trade area being created by the European Common Market and the O.E.E.C. (Organization for European Economic Cooperation). If Ireland does not join, most of her exports would be cut off. If she does join, her tariff protection within the free trade area would have to go.

Still, the partial abandonment of protection could be a good thing. Protection is an aspect of intervention, and intervention has done little but harm for economic development in the history of political economy. What Ireland ought to do to spur investment and "economic development," the visitor to Ireland concludes, is to create the basic conditions attractive to foreign and domestic capital – conditions such as free trade, the gold standard, and the dismantling of the Welfare State, the income tax, and nationalization. In short, the abandonment of intervention. Admittedly, this is hardly the "orthodox" solution. • • •

IDEAS ON LIBERTY

Knowledge, Wealth, and Trade

I WISH EVERYONE in the whole world had more knowledge than I have. How much easier it would be for me to learn if that were the case.

I also wish that everyone in the whole world had more wealth and property than I have. How much easier it would be for me to raise my own standards if I could trade what I have into such a pool of wealth.

R. C. HOILES, President
Freedom Newspapers, Inc.

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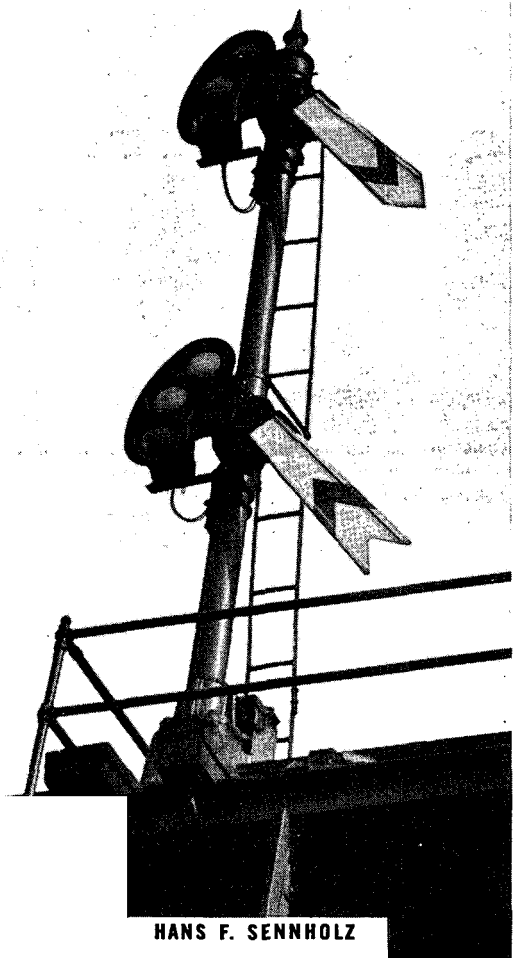
Federal monetary policies and projected deficit spending warn of . . . .

INFLATION AHEAD



HANS F. SENNHOLZ

WITHIN the past four years the American economy has undergone another boom and another recession. And now again we are witnessing the numerous symptoms of a boom in its early stages. Throughout this period prices have been rising continuously.

People often believe that high prices are inflation. This is putting the cart before the horse. Inflation is legalized counterfeiting. High prices are merely the effect of inflation.

In ages gone by, governments often indulged in clipping coins. Today the methods are more complicated, but the effects are the same. Today the federal government goes into the red at a rate of 10 to 15 billion dollars and covers all or part of this deficit with new money. In the language of the economist, which sounds much less conspicuous, the government calls on the Federal Reserve System, which is its monetary agency, "to provide the bank reserves for the nation's growing monetary needs."

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Capital Depletion

What are the inevitable effects of such federal government deficits and inflationary methods of government financing? The most important although least perceptible effect is the *loss and consumption of capital.*

When the money supply is rapidly inflated, interest rates are artificially low. Many projects and expansion programs then started depend on these low rates for profitability. Therefore, when the interest rates rise again because people begin to take the monetary depreciation into consideration, these new production facilities may prove to be unprofitable. In other words, they are then called "excess capacity." Economically, they are malinvestments that cause some capital losses.

But this is not the only situation resulting in capital consumption. Through inflation the federal government consumes an ever larger part of our income and reduces our capacity to accumulate capital. Inflation lifts us into higher and higher income brackets subject to progressive income taxes. Although my income may not increase in purchasing power, inflation will lift me into higher income brackets where the government's share will be larger in percentage. Thus my real income will decline which will reduce both my consumption and my ability to save.

The government may even levy taxes on "profits" that in reality constitute no income at all. Inventory profits may be purely inflationary. And yet, the government demands a "share" which must be paid out of the net worth of the company. The inflationary profit may even hide some real losses in which case the government actually taxes the losses. In all cases capital is consumed and production impeded by the amount of the capital lost.

Unwarranted Consumption

The inflationary profits and improvements in income may also deceive the recipient. They may induce him to increase his consumption, which of course reduces saving. Thus income is consumed that otherwise would have enhanced the capital supply.

This inflation-induced consumption, however, is partially offset by the "forced savings" of all those who must restrict their consumption on account of the inflation. The price of consumers' goods tends to rise which fact forces some people to reduce their consumption, especially all fixed-income receivers such as the aged living on pensions and fixed benefits or people with stable salaries or interest income. But this off-

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setting effect is only partial because it does not offset the capital consumption but merely the additional spending by the holders of the inflationary money.

Creditors Also Lose

The "forced savings" clearly reveal that inflation inflicts losses on all fixed-income receivers. In addition, there is another important class of people that suffers losses: the creditors. They have claims on future money income which inflation reduces in purchasing power. For instance, a bondholder loses if the money he receives in the future is of lower value than that he himself paid for the purchase of the bond some time in the past. The same is true of all owners of money and claims to money, such as time and demand deposits, life insurance policies, mortgages, and so forth.

Many people don't feel concern about these losses of creditors because they erroneously believe that the rich are the creditors and therefore suffer the losses. This may have been true during the Middle Ages when the large majority of the people earned very little as compared with today and consequently also saved very little. In present-day America, however, the large majority of the people own some savings in the form of life insurance, savings accounts, government savings bonds, etcetera. Consequently, it is the masses of the people who are apt to suffer from policies of monetary depreciation. The rich in general are the owners of businesses, corporate stock, real estate, and other claims to real wealth.

The People Are Demoralized

The fact that the majority of the American public is suffering from the effects of monetary depreciation has far-reaching consequences.

The provident are penalized when their thrift and sacrifice come to naught. Deprived of the full worth of their savings and jeered at by the spendthrifts, they turn improvident themselves. They become desperate and receptive to radical ideas. Along with the spendthrifts they learn to throw themselves on the State for security and support. Thus self-reliance and independence become rare virtues and people are conditioned to life under the Welfare State. Our present trend towards socialism clearly feeds on inflation.

While monetary depreciation robs millions of people of their hard-earned savings, it enriches some people at the expense of all others. Who are these beneficiaries of inflation? There are the immediate recipients of the inflation-

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created money. Let us assume that the federal government spends it on arms and ammunition. Then the armament producers and their workers have more money and purchasing power than they would have otherwise. Or, the government may increase the salaries of its army of employees, the handouts to its favored groups, or its payments to public works contractors, in which case these groups are the recipients and beneficiaries of the new money. Whoever first receives the money that is newly created gains from the money creation.

Temporary Beneficiaries

But these groups of people are not the only beneficiaries. There are two others. When the first recipients of the new money have spent it and consequently have caused the prices of some goods to rise, the sellers of these goods profit from higher prices. While the rest of the economy has not yet adjusted to the inflation, the sellers of the inflation-affected goods obtain higher prices although they may still be able to buy their goods and materials at pre-inflation prices. The difference is the inflation gain.

In other words, a person profits from inflation if his position in the economy is such that he can sell his products or services at higher prices and buy the products and services he needs at the old prices. On the other hand, a person loses if he must buy in the inflated market but sell in a market that remains temporarily unaffected by the inflation. It is obvious that these situations are only temporary. They come to an end when the new money supply has reached all sectors of the economy and the necessary economic adjustment has run its course.

Finally, there is the large class of debtors who gain from monetary depreciation. As the federal government is the greatest debtor in the country, it is also the greatest inflation profiteer. It gains billions of dollars through monetary depreciation of its debts. And the bondholders who have entrusted their savings to the government annually lose the very amount the government gains. Monetary depreciation in fact amounts to gradual repudiation of the government debt.

Business Cycles

Another disastrous effect of a policy of monetary depreciation is the recurrence of economic booms followed by sudden busts. The inflation at first makes for feverish economic activity. Prices rise and business profits are attractive. But soon also labor and other costs

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tend to rise. They soar until business becomes unprofitable at which point the recession begins.

If the government through its monetary agency, the Federal Reserve System, accelerates the inflation, the downturn can be avoided temporarily. For as long as product prices rise faster than business costs, business will stay profitable. Of course, the ultimate outcome of such a policy of accelerated inflation must be the total destruction of the currency. If, however, the money is stabilized and the Federal Reserve refrains from further inflation, the currency is saved but a recession sooner or later sets in.

The Time Lag of Recession

The recession usually develops one to two years after the inflationary policy has been abandoned. There are two reasons for this delay. First, business costs are slow in catching up with product prices. Wages and salaries, for instance, react to inflation more slowly than the prices of consumers' goods. If business costs rose simultaneously and to the same extent as product prices, if for instance, all wages were immediately adjusted to the cost of living, the recession would follow the inflation immediately.

The second reason for the delay is what in bad economic terminology is called "the rising velocity of money." During the period of active inflation people realize that prices are rising. They now begin to reduce their cash holdings. They buy readily and quickly in anticipation of higher prices. They may even go into the red in order to take advantage of present prices before they rise again. Consumers' indebtedness increases by leaps and bounds, and billions of dollars of savings accumulated by banks and other savings institutions are channeled toward consumption.

It is obvious that consumers' prices must rise because of such an inflationary sentiment which constitutes a natural reaction to the actual inflation. And it is also understandable that this reaction may even continue after the Federal Reserve inflation has come to a halt. Thus we can witness a short period in which our monetary authorities refrain from inflation but prices continue to rise and the economy evidences all symptoms of inflation. The inevitable recession and readjustment finally sets in as soon as more and more people realize that the inflation has temporarily come to a halt.

This slow reaction to a policy of monetary stabilization, which constitutes the source of many economic errors and fallacies, could actually be witnessed in the years

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1956 and 1957. The active Federal Reserve inflation was abandoned in 1955, and yet, prices continued to rise on account of people's reduction of cash holdings and increase in consumers' indebtedness. When, during the latter part of 1957, it became clear to more and more people that the inflationary policies had been abandoned, cash holdings began to increase again and the increase in consumers' indebtedness began to slow down. This development together with the other recession reasons mentioned above then led to the recent business downtrend.

Variations in Impact of Inflation

Some people erroneously believe that inflation affects the economy simultaneously and uniformly. The notion prevails that inflation increases prices like rainfall raises the water level of a pond. This notion is as fallacious at it is popular. In reality inflation causes price upheavals. It affects prices and wages differently and at different times. As has been pointed out, some industries and their workers may actually benefit from inflation if their money income increases before other prices have risen. Other industries are bound to suffer losses if they must continue to sell their products and services in markets still unaffected by inflation but buy products whose prices have already risen on account of the inflation.

People often don't realize this. Especially are our labor leaders prone to forget it when they clamor for wage increases regardless of inflationary effects. They observe wage improvements in other industries that benefit from inflation and consequently feel obliged to obtain the same improvements for their own members. If this happens in an industry that actually suffers from inflation, the ensuing union demands merely add to the woes and troubles of the industry. And labor dissatisfaction and unrest usually result.

The product prices of some industries such as railroads and public utilities are controlled by various government regulatory bodies. Experience shows that these industries suffer greatly from inflation. While their costs of operation, especially labor and material, rise on account of inflation or union pressure, their own prices are subject to government supervision. The regulatory bodies, however, like to keep prices stable often in order to "counteract" inflation. Consequently, such an industry is squeezed between rising operating costs and stable prices of its own products or services, which of course results in losses and consumption of capital.

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Usually these difficulties then lead to more government regulation and supervision.

Further Steps toward Inflation

The most tragic of all inflation effects is our tendency to advance further toward socialism. When prices rise and people suffer through no fault of their own, they clamor for government protection from inflation. But they often mistake the symptoms of inflation, the rising prices, for the real inflation which is the Federal Reserve increase of the money supply and of bank reserves. Thus they favor remedies that would merely attack the symptoms while the roots of the evil are left untouched. This mistake is often made during the period that immediately follows the active Federal Reserve inflation when people continue to decrease their cash holdings and increase their indebtedness. During this period of rising prices our monetary authorities correctly point to their idle printing presses but mistakenly deny all responsibility for the inflation.

The public cry for government protection from inflation appeals to the very institution that alone can inflate and depreciate our money. Only the federal government through its agency, the Federal Reserve System, can print money and inflate the money supply. You and I would be held punishable for counterfeiting if we were to produce a single dollar bill.

But while we appeal to the government for protection from inflation, we condone the very policies that are inflationary. We condone the budgetary deficits of 10 to 15 billion dollars and the "stimulation" of the economy through Federal Reserve credit expansion. This contradiction obviously must lead to government policies that continue to be inflationary. And it must lead to a "fight" that is aimed at the symptoms rather than at the inflation itself. But according to all rules of semantics, when the government fights rising prices through price controls, wage controls, and a series of other controls, our system of economy ceases to be free. It falls into the abyss of socialism.

Inflation Motivation

What are the causes that induce our monetary authorities to embark again and again upon inflationary adventures? Most people pretend to oppose inflation. And yet they clamor for the things that make inflation inevitable.

In an analysis of the present-day American predilection for policies that make inflation inevitable, the following two groups

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must especially be mentioned as having successfully pressured our monetary authorities into easy-money policies on their behalf.

Special Pleaders

The first pressure group consists of those people who continuously clamor for federal aid and spending for their own special interests. There is the Farm Bloc insisting on farm supports, government buying and storing of food, giving it away to foreign nations, or throwing it on the world market at lower prices than we Americans have to pay. There is the soil bank which is a scheme of government subsidy for work not done.

If all these funds were raised by taxing the people, no inflation would result – merely a shift of spending power from the pockets of all taxpayers to those of the farmers. Often, however, our government is afraid to present us with the true bill for its lavish spending on the pressure groups. Running deficits, it borrows the funds from the banks which in turn have received the necessary reserves from the Federal Reserve. This, then, constitutes inflation.

But there are not only the farmers who constantly clamor for federal aid and support even if the money must first be created, but also many other groups in high public repute. There are the veterans' organizations constantly pressuring the government for more liberal pensions and other costly benefits with utter disregard for the source of the money. Hundreds of thousands of healthy veterans are still receiving government educational help. The Veterans' Administration has guaranteed or insured $23 billion worth of home, farm, or business loans. It has loaned more than $700 million directly. All in all, total federal spending for veterans amounts to approximately $5 billion annually, or about seven cents of each tax dollar. Nearly one-fifth of all federal spending other than for rearmament goes to the veterans and their families.

Monetized Debt

If all this money is raised through taxation, no inflation results, merely a transfer of $5 billion from the pockets of all taxpayers to those of veterans and their families who make up approximately one-half the American population. But whenever the federal government operates at a deficit on account of these and many other spending programs, the necessary funds usually are made available through currency expansion. The fact that the veterans' organizations nevertheless in-

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sist on costly benefits regardless of the effects on the nation's currency and economy, makes them a dangerous pressure group for inflation.

There are the pressure groups advocating multibillion dollar foreign aid programs, federal road construction programs, public utility programs, federal housing programs, and many others. Again, all these schemes would not be inflationary if all the money were raised by taxation. But in most years since 1930 the federal government operated with large deficits, the funds for which were made available through credit expansion.

The Social Security Burden

There is one spending program standing high in the public mind that in the future will constitute a powerful reason and excuse for inflation, although in the past it even counteracted inflationary ambitions. This is the social security program. Since January 1, 1937, an ever greater part of the working population has been taxed to finance the Federal Old-Age and Survivors Insurance. For more than 20 years the annual intake of the Social Security Administration exceeded the benefits paid out. Consequently, a surplus of more than $20 billion resulted that was merged with other tax revenues and spent by the government. It is obvious that this amount helped to pay for the various New Deal programs and thus prevented the government from inflating the nation's currency by this very amount.

In the future the situation will be quite different. An ever larger number of taxpayers is reaching retirement age and drawing old-age benefits. But this is not the only reason for an expected rise in outlays. Since 1939 the benefits were broadened to provide for wives, widows, and dependent children of retired workers. Payments were increased repeatedly in order to assure adequate support. Each worker's old-age claim is no longer based on the amount of his contribution, but on our politicians' definition of need and adequacy.

This criterion for benefits has led, and must lead in the future, to costly revisions of the program, especially when the costs of living are rising. Each political party is tempted to bid for the votes of the aged through higher old-age benefits. Consequently, rising expenditures will require much higher taxes and, in case the revenue should not be forthcoming promptly and sufficiently, also monetary expansion. The social security program, which in the present fiscal year is expected to

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suffer its first deficit, therefore will constitute another reason for inflation and monetary depreciation.

Labor Union Pressure

Our labor unions comprise the *second* important pressure group advocating inflationary measures. Through collective bargaining, strikes, and many other methods of coercion they tend to lift wages above the rates determined by a free labor market. But whenever wages are forced above those determined by competition in the market, unemployment inevitably results. This in itself constitutes no inflation, merely a maladjustment. But then the very unions that bring about these harmful effects begin to clamor for federal aid and easy-money policies. Through their influence on public opinion and their connections in Congress they pressure the Board of Governors into inflationary money policies to provide relief for their depressed industries. We can observe this phenomenon in all industries in which there are powerful labor unions.

Until recently the American residential building industry, for instance, has been working at less than 70 per cent of capacity. For years powerful unions have pushed building industry wages far above free market wages, which fact raised housing prices considerably. And while prices were rising, the demand for houses declined. Unemployment of capital and labor resulted. Now, instead of shouldering the responsibility for this maladjustment, the labor unions clamor for easy-money policies which would supply the mortgage money needed to sell more homes at higher prices. In other words, they ask for inflation as a cure for maladjustment.

Even during recessions when business suffers from unprofitableness labor unions continuously raise business costs. Consequently, they increase unemployment. A comparison between the unionized North and the South with its less harassed labor relations clearly demonstrates this causal connection. Where are the 5 million workers who presently are unemployed? They live in the industrial North that is plagued by union activities. They live especially in the union strongholds, in Chicago, Detroit, Pittsburgh, New York, New England, etc. And where did the last recession have its most depressive impact? Every objective observer will agree that it is the unionized North that breeds recessions.

Trimming Wages through Inflation

Facing the dilemma of mass unemployment, our Washington ad-

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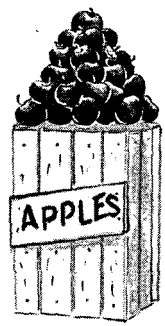
ministration is called upon to remedy the situation. It has two alternative policies at its disposal. It may oppose the multiplicity of coercive labor union practices through revoking the legal sanctity which New Deal legislation has bestowed upon unions. Unfortunately, this alternative is not open to the large number of Congressional representatives who owe their election to the labor leaders.

The other alternative is much more popular. Whenever the country suffers from unemployment due to coercive union practices, our government immediately comes to the rescue of the labor unions and their dominated industries through easy-money policies. It rescues the building and construction unions, for instance, through more government guarantees, easier terms of payment, lower rates of interest, and other "stimulating" measures all of which result in inflation.

In this respect inflation is a political expedient resorted to by weak administrations. It is a device that hides temporarily the evil effects of coercive union practices. But while it does this, it bears its own formidable effects. • • •

Anyone for  ?

GRACE BOSWORTH

AFTER LISTENING to the pro and con discussions as to whether our present economic plight indicates that we have repealed certain economic laws or not, I made some studies in order to render an opinion of my own. So far, only one fact is clear. No matter what happens, America will never again see the apple stands of the last depression.

Mrs. Bosworth is a California housewife who also does secretarial and editorial work.

The Lost Art

They were masterpieces of simplicity; the owner acquired a big crate, piled his apples on top of it, and began an aggressive sales pitch. In the first place, our art

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of selling has fallen into decline. We rear our salesmen on the "soft sell" to appeal to the buyer's hidden impulses, instead of telling him out and out that we think he should say he has a good product. Today, to sell soap or cigarettes or cars, you appeal to the potential customer's "maleness" or "femaleness" as the case may be. The tattooed hand and gossamer gown are standard props for everything from breakfast food for the family to flea powder and fish food for the family pets.

Don't Forget Uncle and His Friends

But even if we still used aggressive selling, the apple stand couldn't stage a comeback. Conservatively, I estimate that a man with a capital of $3,000 might, if he were careful, establish an apple stand today. Aside from the initial investment for his bag of apples and a crate, he would face other costly factors. First, there is the matter of government agencies! As a small business owner he has certain forms which must be submitted to both federal and state agencies. He would need the service of at least one tax consultant to get those in order. The tax man might consider accepting his fee in apples, but times would probably have to be *very* hard. Besides, there is some question if that would be legal or not. Then, there are forms to be filed with the state in the event that you have, or do not have, other employees. Usually this requires the services of a competent bookkeeper.

Insurance is also necessary. Dealing with the public makes a good full coverage necessary, maybe a $100,000 minimum would do it. . . . an insurance consultant, for a fee, will work that out. Aside from that, if the stand is going on the city streets, there will be applications needed in City Hall, license fees and, of course, meeting the requirements of city codes with regard to health and safety factors.

These are just the beginnings of my findings, but it becomes evident that we simply cannot afford another depression until we look over some of the laws governing small business. • • •

IDEAS ON LIBERTY

Commerce vs. Politics

LET GOVERNMENTS have as little to do with one another as possible, and let people begin to have as much to do with one another as possible.

JOHN MORLEY, *The Life of Richard Cobden*

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ROBERT LEFEVRE

WE ARE, it seems, so alarmed and dismayed by the *amounts* of money taken from us by our federal government that we are prone to resist the advance into socialism not on the basis of principle, but on the basis of the numbers of dollars we are losing.

We do not like to object to the income tax on principle. We prefer to object because the income tax is taking so much money.

We do not like to object to the collectivist philosophy of labor unions. We prefer to object to unions because they have become such an enormous reservoir of financial potency and because some of their leaders have been found corrupt.

We do not object to the draft. We raise our voices because so many men are involved. Further, we object because our young men are impressed into service for a period of eight long years. Why do we quibble over the years or the numbers of men involved? To take one man by force and to hold him where he does not want to be, even for five minutes, is immoral.

We do not object to having the government run schools. We object because the government is increasing the amounts of money it takes from us to run the schools. And now we object because the larger (federal) unit of government is taking a more active part in our educational picture. But is it all right when the local governments do the same things?

It seems it is size that impresses us, not fundamentals. If the evil that confronts us appears to be small in size, though deadly in its contradiction to the great truths of life, we are prone to ignore it. What can a little thing like that do to harm us, we ask. But when the evil has expanded, not in violation of principle but in size relating to the numbers of

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persons affected or the amounts of dollars involved, then we become alarmed.

We condoned the post office for years not because the government ought to be running it but because the government managed for about seventy-five years to keep the deficit rather small. Now that the deficit has grown to gigantic size we are upset. But the direction of our cry of outrage is usually not to strike at the fundamental violation of principle which is inherent. It is rather to reduce the size of the deficit. And if the size of the deficit is reduced, then, with the canker still working, we subside with the illusion that we have wrought a cure.

Blind Devotion to Size

It is this impressionistic devotion to mass, to Gargantua, which has Americans enthralled. That is why so many of us can see and clearly recognize socialism in our federal government. It is there, openly apparent, readily discernible because the federal government is huge. We require no magnifying glass to read the dark inscription of socialist rule and ruin being written on our federal wall. We can read it without our glasses.

This is the reason – it must be the reason – so few of our fellow Americans fail to recognize socialism in our state and local governments. By comparison with the federal oligopoly, even such a giant state government as California or New York stands dwarfed. And when we get down to such puny administrative governmental units as counties, school districts, and cities, we shrug and go on our way without a second thought.

What could any government as small as one of these do toward advancing socialism? Also, such governmental units are right under our noses. The men and women in them are local people. We know them. They are our neighbors. If one or another of them gets out of line, we can always replace them. Socialists? Not for a minute. These are the backbone of America.

They are so much the backbone of America, in fact, that with virtually one voice our local politicos have beseeched Washington to pour more money into their coffers for their own pet projects. Of course, all of this money, whether it is taken locally to be spent locally or taken nationally to be spent locally or taken locally to be spent nationally, is still our money. What we seem to object to is the seizing of our money nationally to be spent internationally. But what is this but an expansion of the original violation of principle

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which begins with the use of force and coercion locally for local projects?

Universal Principles

Principles are discovered as they relate to *individuals,* not to masses of people. Is something that is wrong for an individual to do, right when the wrong is multiplied? Or is an action which is right for an individual, some way in error when more than one is involved? A principle is universally applicable, or it is not a principle.

The federal government is not following a policy which is at odds with the convictions of the rank and file of citizens. Despite some clamor to the contrary, the evidence reveals that the people of this nation want what they are getting at the hands of the spend-it boys in Washington. And the cities, counties, and villages are emulating the program, albeit with less flair, less rakishness, less of an attitude of snap-the-fingers, to-hell-with-the-people.

Consider the income tax. Is this the exclusive scheme of the Washington crew? It is not. There are at the moment 31 states with income taxes. Also, there are 256 cities (including boroughs) which are prying into the local purses and lifting out vast sums of money in this same fashion. And if we are really concerned about local incursions via the income tax route, it might be noted that in Pennsylvania (effective August 1, 1958) 25 first-class townships and 505 school districts began collecting income tax money.

Consider farm subsidies. Is this exclusively a federal program? Again, it is not. Almost all the states have their own agricultural aid programs, which in numerous instances are augmented with county funds.

What about unemployment relief? States, counties, and even cities are in on this one.

So it is with pensions, education, labor-management relations, tariffs (remember the border guards at California and Arizona state lines, not to overlook the so-called "ports of entry" in many states), employment, welfare, government-owned utilities and the ownership of various businesses including golf clubs, zoos, peanut stands, recreational equipment, airports, roads, cemeteries, hobby shops, tourist attractions, and what have you.

The Local Burden Grows

We might even point out—though we do not mean to impress you with size—the National Tax Foundation reports that since 1950, whereas the per family share of the national debt has dropped

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by $188, the per family share of state debt has increased by $179. It is not this growth that indicates socialism, however; it is the fact of state and local confiscation in any amount that indicates it.

In short, while it may be true that the federal government is moving us toward national socialism on a giant scale, most of our local governments are pursuing this same objective with as much vigor and intensity as they can muster.

Socialism Taxes Individuals

What is socialism? There are many definitions. And without in the least attempting to contrast socialism with its more rabid twin, communism, let us take the definition given by Marx. The core of the socialistic process, as he put it, was this: "From each according to ability, to each according to need." The point is that socialism is initiated at the "from each" part of the process, not at the "to each" part of it. Yet we have so long accustomed ourselves to analyzing socialism according to the things governments do with the money they take from us, that we have almost forgotten the purpose of socialism is primarily served in the taking. As Marx put it in the *Manifesto:* "You accuse us of wishing to do away with your private property. Precisely. That is exactly what we intend to do."

Nothing is said in the definition which requires that our property and our means of production and distribution, when taken from us, must be transported great distances or taken in quantity above a fixed amount.

"All Business Is Local"

In the newspaper business we have a slogan, "All business is local." Newspapers are big business. But they are all big *local* business. It is true that almost all newspapers make an effort to acquire national advertising. But, the fact remains that the advertising rates of the newspapers are determined by the number of their local subscribers, and it is in the hope that the local subscribers will purchase the nationally advertised product that the advertiser buys space. In other words, even the national distributor knows that all business is local.

But, we are told, newspapers are not local. Do they not subscribe to wire services, and is it not the fact that they are filled with national and international events which makes them readable? But what is national or international news, except something that is local somewhere? And isn't the reader of a paper always a person who exists locally at some place in space? Isn't that

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person the one we strive to reach? And aren't we best able to reach him by a multiplication of all our *local* efforts?

Now, if we examine the definition of socialism, we discover that the aim of the socialist is to do away with private ownership and to substitute government ownership in its place. But the government need not be in any specified place, of any specified size, nor formed in any specified manner. Socialism begins when private ownership is inhibited or killed. What happens to the property after it has been wrested from its rightful owner is of academic interest, it is true. But socialism begins at the point of confiscation, not at the point of amassment. And the point of confiscation is always local. It has to be. This is the fact to which our preoccupation with bigness has nearly blinded us.

The Customer Pays

The nature of life is such that each of us exists largely in a world of his own. We have our loyalties, our enterprises, our convictions, our obligations. Our radius of influence may be large or small, but essentially it is single hubbed. Even a man or a firm of enormous influence or service will find that it is dealing always with individuals, and always at a local level.

The ultimate aim of all business is the individual customer. Business hopes to please and satisfy him. It is at the customer level that businesses are injured by socialism. True, our attention to the socialistic process may first be arrested when some law or regulation inhibits the normal business judgment or action of the entrepreneur. But this inhibition, if it can be survived at all, must be passed on as an added cost, an inferior product or service, or even as a scarcity, to the customer. And if it cannot be survived, again, the fact that matters is that the customer is hurt totally. Businessmen believe that the harm falls on them personally, as indeed it does. But the harm is ultimately borne by the customer, and without him, the business cannot survive. This is what is meant by "all business is local." Any business activity which precedes the purchase by the customer is simply a necessary preliminary to getting the goods and services to him.

Property Rights Denied

The ultimate aim of all socialism is to prevent the individual from owning property privately. Any governmental activity which follows the plundering of the individual is simply so much socialist window dressing, dedicated to the proposition that the government

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can manage your affairs and your money better than you can.

Let us remember that city or local government ownership, operation, or control of schools, hospitals, transportation facilities, and countless other businesses involves compulsion and to that extent denies the rights of individuals to own property and to dispose of their own as they see fit.

Of course, if the federal government does these things, many of us already know the dangers. Can we learn to see the dangers close at hand with the same perspective? That is the question.

Internationally, we are beginning to see clearly. Nationally, a number of persons have close to 20-20 eyesight. It is at home that we develop astigmatism, blind spots, myopic vision, and sometimes total blindness.

The evil of socialism will never vanish from this land if we fail to eradicate the local home-grown variety. • • •

IS FREEDOM THE LIBERTY TO RESTRICT?

EDWARD COLESON

A MISSIONARY, so the story goes, was building his station out in the bush under the close scrutiny of the local natives who gathered around to watch his every move. They were fascinated with his tools, materials, and procedures and, like children, gave vent to their amazement. They were particularly intrigued with a small, round, shiny, ticking object he took out of his pocket at intervals for a brief inspection. Finally, one asked him what it was.

"That's my watch," he answered. "It tells me when to get up in the morning, when to eat, when to begin my day's work, what time to quit working, and so forth."

"Oh!" the native exclaimed. "Why don't you throw it away and do as you please?"

Now the basic decisions which must be made in any and every economic order – whether set up by Robinson Crusoe, Adam Smith,

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Joe Stalin, Franklin Roosevelt, President Eisenhower, or yourself —are one and the same. Somehow it must be decided what and how much of each good or service we plan to produce, how resources and effort are going to be allocated and used in the productive process, and how the resulting product will be divided up. Nor is there any way to side-step the necessity of making these decisions. In practice this means that someone must decide how many acres should be devoted to onions, how many turkeys will be wanted next Thanksgiving, how many TV sets and red convertibles should be produced, what resources should be available to each of these several productive efforts, and who should work at what. At the end of the line the onions and convertibles have to be parceled out to somebody.

The Price Indicator

Once upon a time the price system was supposed to make these decisions for all of us. The farmer planned to have fewer pigs to turn off in the fall because he anticipated they wouldn't bring very much. This tended to reduce output and improve the price. If the cost of eggs soared in the winter, farmers raised more chickens in the spring and the price was lower next year. This didn't please the farmer a bit, but the consumer didn't worry about it. He ate more eggs because they were cheaper, and helped to restore the former price level.

Men tended, subject to the limitations of their training and ability, to go into that line of work which paid them best, and investors risked their capital on the same basis. In other words, the economy ran itself as the consequence of the decisions of millions of people. They made mistakes, plenty of them, but their individual errors tended to cancel each other out. The system worked so well that the agricultural "planners" of our time chose the pre-World War I period as their golden age, the basis of the parity formula. Also, the industrialist and financier are a bit nostalgic about the Horatio Alger era when a man could make a million and keep it, and if he played the game fairly, he was regarded as no "robber baron" but a benefactor of humanity.

Regulation and Control

Now, of course, there's another way to make all those necessary decisions about production. A board of planners in the Kremlin — or in Washington for that matter — can decide how many tons of pig iron, bushels of wheat, gallons of gasoline, and pairs of

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shoes will be needed next year, and can allocate the resources and manpower to the several productive agencies charged with the task of filling quotas. It involves a fantastic amount of labor in trying to assemble the necessary data and arrive at something like the right conclusions as to proper and possible production goals, and requires a vast and all-powerful bureaucracy to get it done. It is perfectly possible to operate that way if you choose to, but there are some consequences of this policy.

In the first place, the swarm of functionaries necessary to run it, who get in each other's way as well as everybody else's, are no better than locusts, if a free economy will run itself at least as well without them. Their record to date isn't impressive. In the second place, the loss of freedom inherent in such "planning" is so great that many of us would vote against it if it worked twice as well as the most enthusiastic utopian dreamer ever claimed it would.

I'm tired of listening to those folks who say that the "Good Old Free Enterprise System" was all right but if it can't supply us with the luxuries and security we want, we, in this "modern age," will trade it off for a totalitarian model which will. They are dreaming of a choice that doesn't exist. On the basis of the world's history to this hour it would be hard to prove that one could barter his freedom for prosperity except, perhaps, as a short-run delusion. The Rich Man in Hell chose the world at the price of his soul, but ended up losing both.

The System Won't Work

The oppressive nature of a planned economy has little to do with the fact that the planners grew up east of the Iron Curtain, drink vodka, or even are evil and ruthless men. Plus or minus a little, our benevolent bureaucrats would have to operate the same way or go out of business. It is inherent to the system. Free enterprise has controls, too, and they are pretty rugged. The free system has generally wrung more work out of people than a slave driver could with his whip. If you guess wrong, you may lose your shirt. If you don't work, neither shall you eat.

Actually, Americans don't want either system; they shy away from the terror of totalitarianism but refuse to accept the verdict of demand and supply.

The consequences of thus tampering with the workings of natural forces may perhaps best be illustrated by analogy. The first steam engine, the one invented by

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Thomas Newcomen in 1705, required an operator to open and close the valves. One boy set at this task found that by an ingenious system of cords he could get the walking beam to open and close the valves for him, leaving him free to play. But, as with the economy, if one sabotaged the workings of natural forces – cut, tangled, or snarled the strings – he would be compelled to go back to running the machine by hand, if it ran at all.

No Stopping Place

Those who believe they can establish their social order permanently at any point on a continuum between slavery and freedom that suits their fancy, are deluded. Artificial restrictions breed more regulations: witness the "black markets" of every managed economy. As the confusion and chaos inherent in trying to serve two masters deepen, men in their despair almost inevitably are only too glad to turn the problem over to some loud-mouthed demagogue who gives them the security of a prison. The problem of so-called democratic socialism is that artificial controls which are politically acceptable don't control, and the brutal kind which gets things done doesn't appeal to the voters: hence the need for the so-called dictatorship of the proletariat. No country can long remain "half slave and half free," and we won't either.

If our economy caved in tomorrow, millions of people would cry that the free enterprise system had failed; and our intellectuals, preachers and all, would lead the stampede to totalitarianism of one sort or another. Huey Long once said, "It would be easy to sell Americans fascism. Just call it democracy." He should have known.

It is true we have lived for more than a generation in a sort of uneasy no-man's land where every group is permitted to combine to loot the rest of us, artificially limit output, and make prices what they please. If every trade and profession restrict entry into their field, obviously their services will be overpriced, and millions of men will not be absorbed but will be left out in the cold world of bread lines or dole. Politicians can't say "no" to any pressure group which can drum up a few votes, so the resulting patchwork of policy – a sort of economic crazy quilt – increases in complexity until the whole structure falls of its own weight. The right of powerful pressure groups to plunder the rest of us apparently can't be challenged, but let's not call it democracy – unless freedom is the liberty to restrict. • • •

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FREE WILL AND THE MARKET PLACE

FRANK CHODOROV

FREE WILL is the starting point of all ethical thinking and it plays an equally important part in the business of making a living. If man were not endowed with this capacity for making choices, he could not be held accountable for his behavior, any more than could a fish or a fowl – an amoral being, a thing without a sense of morals. So, if man were devoid of this capacity, his economics would be confined to grubbing along on whatever he found in nature. It is because man is capable of taking thought, of making evaluations and decisions in favor of this or that course, that we have a discipline called economics.

In making his ethical choices, man is guided by a code believed to have the sanction of God; and experience has shown that the good life to which his instinct impels him can be achieved only if he makes his decisions accordingly. The Ten Commandments have been called the Word of God; they can also be described as natural law, and natural law has been described as nature's way of applying means to ends. Thus, we say that nature in her inscrutable ways has determined that water shall always run down hill, never up; that is a natural law, we say, because it is without exception, inevitable, and self-enforcing. Therefore, when we decide to build ourselves a house, we set it at the bottom of the hill so as to avail ourselves of a supply of water. If we put the house at the top of the hill, nature will not cooperate in our obstinacy and we shall not have any water in the house; unless, of course, we discover and make use of some other natural law to overcome the force of gravity.

That is to say, nature is boss and we had better heed her teaching when we make decisions or we shall not achieve the ends we de-

Mr. Chodorov is well known as both a writer and speaker in behalf of individualism. This article is adapted from an address before the American Farm Bureau's "Farm Family and Christian Resources" conference at Madison, Wisconsin, October 30, 1958.

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sire. But, her teaching is not freely given; we must apply ourselves diligently to a study of her ways to find out what they are. The prerequisite for a successful investigation is to admit that nature has the secret we are trying to uncover; if we begin by saying that in this or that field nature has no laws, that humans make their own way without reference to nature, we shall end up knowing nothing.

If, for instance, we discard the Ten Commandments, declaring them to be mere man-made conventions changeable at will, we end in chaos and disorder – evidence that we are on the wrong track. Likewise, if we declare that God in his infinite wisdom chose to disregard economics, that in ordering the world he overlooked the ways and means for man's making a living, that in this particular field man has to work out his own formulae, we will end up with a poor living.

"Economics" without Principles

And that is exactly what has happened in the study of economics; many experts in this field are of the opinion that nature can tell us nothing about the business of making a living; it's all a matter of human manipulation. That is why economics is so often a meaningless hodgepodge of expediencies, leading us to no understanding and no good end. I might add that the incongruities of ethical life, such as divorce, juvenile delinquency, international friction, and so on, are largely the result of the current conceit that there is no warrant for ethics in nature, no positive laws for moral behavior; but that is another subject.

I shall try to present some evidence that nature has her own rules and regulations in the field of economics, indicating that we had better apply ourselves to learning about them if we would avoid the obviously unsatisfactory results from relying on man's ingenuity. Come with me into the laboratory of experience, which is the source of much understanding.

The First Pioneer

Let us cast our mind's eye back to the time when there was no Madison, Wisconsin, or any other city west of the Alleghenies, when only the seed of a later social integration was planted here – when a lone frontiersman decided to settle on this spot of earth. The primary consideration which influenced his decision was the possibility of making a living here. He selected what later became Madison because the land was fertile, water was plentiful, the forests abounded with wood for

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his comfort, meat for his sustenance, and hides for his raiment. This was the workshop from which he could expect good wages for his efforts. Without benefit of economic textbooks, he hit upon a couple of economic laws: (1) that production, or wealth, consists of useful things resulting from the application of human labor to natural resources; (2) that wages come from production.

These laws, these precepts of nature, are still in force and always will be despite the efforts of some "experts" to rescind them. Often the yearning for manna from heaven obscures the fact that only by the application of labor to raw materials can economic goods appear, but the yearning is so strong that men ask government to play God and reproduce the miracle of the wilderness.

Government, of course, can produce nothing, let alone a miracle; and when it presumes to drop manna on its chosen people, it simply takes what some produce and hands it over to others; its largess is never a free gift. And as for wages, they still come from production, even though there are sectarians who maintain that wages come from the safety vaults of a soulless boss. The consequences of disregarding these two dictates of nature are too well known to call for discussion.

Returning to our first pioneer, his initial wages are meager. That is because he is compelled by the condition of his existence to be a jack-of-all-trades, proficient in none. He produces little and therefore has little. But he is not satisfied with his lot for, unlike the beasts in the forest or the fish in the sea, man is not content merely to exist.

And here we hit upon a natural law which plays a prime role in man's economic life: He is the insatiable animal, always dreaming of ways and means for improving his circumstances and widening his horizon. The cabin built by the pioneer to protect himself from the elements was castle enough in the beginning; but soon he begins to think of a floor covering, of pictures on the wall, of a lean-to, of a clavichord to brighten his evenings at home and, at long last, of hot-and-cold running water to relieve him of the laborious pumping. Were it not for man's insatiability, there would be no such study as economics.

A Neighbor Arrives

But the things the pioneer dreams about are unattainable as long as he is compelled to go it alone. Along comes a second pioneer, and his choice of a place to work is based on the same con-

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sideration that influenced his predecessor. What wages can he get out of the land? However, as between this location and others of equal natural quality, this one is more desirable because of the presence of a neighbor. This fact alone assures a greater income, because there are jobs that two men can perform more easily than can one man alone, and some jobs that one man simply cannot do. Their wages are mutually improved by cooperation. Each has more satisfactions.

Others come, and every accretion to the population raises the wage level of the community. In the building of homes, in fighting fires and other hazards, in satisfying the need of entertainment or in the search for spiritual solace, a dozen people working together can accomplish more than twelve times what each one, working alone, can do. Still, the wage level of the community is rather low, for it is limited by the fact that all the workers are engaged in the primary business of existence on a self-sustaining, jack-of-all-trades basis.

At some point in the development of the community it occurs to one of the pioneers that he has an aptitude for blacksmithing; and if all the others would turn over to him their chores in this line, he could become very proficient at it, far better than any of his neighbors. In order for him to ply this trade the others must agree to supply him with his needs. Since their skill at blacksmithing is deficient, and since the time and effort they put into it is at the expense of something they can do better, an agreement is not hard to reach. Thus comes the tailor, the carpenter, the teacher, and a number of other specialists, each relieving the farmers of jobs that interfere with their farming. Specialization increases the productivity of each; and where there was scarcity, there is now abundance.

Specialists with Capital

The first condition necessary for specialization is population. The larger the population the greater the possibility of the specialization which makes for a rising wage level in the community. There is, however, another important condition necessary for this division of labor, and that is the presence of capital. The pioneers have in their barns and pantries more than they need for their immediate sustenance, and are quite willing to invest this superfluity in other satisfactions. Their savings enable them to employ the services of specialists; and the more they make use of these services the more they can pro-

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duce and save, thus to employ more specialists.

This matter of savings, or capital, may be defined as that part of production not immediately consumed, which is employed in aiding further production, so that more consumable goods may become available. In man's search for a more abundant life he has learned that he can improve his circumstances by producing more than he can presently consume and putting this excess into the production of greater satisfactions.

Respect for Property

Man has always been a capitalist. In the beginning, he produced a wheel, something he could not eat or wear, but something that made his labors easier and more fruitful. His judgment told him what to do, and of his own free will he chose to do it. That makes him a capitalist, a maker and user of capital. The wheel, after many centuries, became a wagon, an automobile, a train, and an airplane – all aids in man's search for a better living. If man were not a capitalist, if he had chosen not to produce beyond requirements for immediate consumption – well, there would never have been what we call civilization.

However, a prerequisite for the appearance of capital is the assurance that the producer can retain for himself all he produces in the way of savings. If this excess of production over consumption is regularly taken from him, by robbers or tax-collectors or the elements, the tendency is to produce no more than can be consumed immediately. In that case, capital tends to disappear; and with the disappearance of capital, production declines, and so does man's standard of living.

From this fact we can deduce another law of nature: that security in the possession and enjoyment of the fruit of one's labor is a necessary condition for capital accumulation. Putting it another way, where private property is abolished, capital tends to disappear and production comes tumbling after. This law explains why slaves are poor producers and why a society in which slavery is practiced is a poor society. It also gives the lie to the promise of socialism in all its forms; where private property is denied, there you will find austerity rather than a functioning exchange economy.

The Trading Instinct

The possibility of specialization as population increases is enhanced by another peculiarly human characteristic – the trading instinct. A trade is the giving up of something one has in order

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to acquire something one wants. The trader puts less worth on what he possesses than on what he desires. This is what we call evaluation.

It is not necessary here to go into the theory, or theories, of value except to point out that evaluation is a psychological process. It springs from the human capacity to judge the intensity of various desires. The fisherman has more fish than he cares to eat but would like to add potatoes to his menu; he puts a lower value on fish than on potatoes. The farmer is in the opposite position, his barn being full of potatoes and his plate devoid of fish. If an exchange can be effected, both will profit, both will acquire an added satisfaction. In every trade – provided neither force nor fraud is involved – seller and buyer both profit.

Only man is a trader. No other creature is capable of estimating the intensity of its desires and of giving up what it has in order to get something it wants. Man alone has the gift of free will. To be sure, he may go wrong in his estimates and may make a trade that is to his disadvantage. In his moral life, too, he may err. But, when he makes the wrong moral choice, we hold that he should suffer the consequences, and hope that he will learn from the unpleasant experience.

So it must be in his search for a more abundant life. If in his search for a good life the human must be allowed to make use of his free will, why should he not be accorded the same right in the search for a more abundant life? Many of the persons who would abolish free choice in the market place logically conclude that man is not endowed with free will, that free will is a fiction, that man is merely a product of his environment. This premise ineluctably leads them to the denial of the soul and, of course, the denial of God.

Those who rail against the market place as if it were a den of iniquity, or against its techniques as being founded in man's inhumanity, overlook the function of the market place in bringing people into closer contact with one another. Remember, the market place makes specialization possible, but specialization makes men interdependent. The first pioneer somehow or other made his entire cabin; but his son, having accustomed himself to hiring a professional carpenter, can hardly put up a single shelf in a cabin. And today, if some catastrophe should cut off Madison from the surrounding farms, the citizens of the city would starve. If the market place were abolished, people would still pass the time of day or

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exchange recipes or bits of news; but they would no longer be dependent on one another, and their self-sufficiency would tend to break down their society. For that reason we can say that society and the market place are two sides of the same coin. If God intended man to be a social animal, he intended him to have a market place.

Traders Serve One Another

But, let us return to our imaginary experiment. We found that as the pioneer colony grew in numbers, a tendency toward specialization arose. It was found that by this division of labor more could be produced. But this profusion from specialization would serve no purpose unless some way were found to distribute it. The way is to trade. The shoemaker, for instance, makes a lot of shoes of various sizes, but he is not interested in shoes per se; after all, he can wear but one pair and of one particular size. He makes the other shoes because other people want them and will give him in exchange the things he wants: bread, raiment, books, what not — the things in which his interests naturally lie. He makes shoes in order to serve himself, but in order to serve himself he has to serve others. He has to render a social service in order to pursue his own search for a more abundant life.

In our lexicon we refer to a business undertaking by the government as a social service; but this is a misnomer, because we can never be certain that the service rendered by the government business is acceptable to society. Society is compelled to accept these services, or to pay for them even if unwanted. The element of force is never absent from a government-managed business. On the other hand, the private entrepreneur cannot exist unless society voluntarily accepts what he has to offer; he must render a social service or go out of business.

Profits Come from Patrons

Let us suppose that this shoemaker is especially efficient, that many people in the community like his service and therefore trade with him. He acquires what we call a profit. Has he done so at the expense of his customers? Do they lose because he has a profit? Or, do they not gain in proportion to the profit he makes? They patronize him because the shoes he offers are better than they could make themselves or could get elsewhere, and for that reason they are quite willing to trade with him. They want what they get more than they want what they give up and therefore profit even as he profits.

If he goes wrong in his esti-

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mate of their requirements, if he makes the wrong sizes, or styles that are not wanted, or uses inferior materials, people will not patronize him and he will suffer a loss. He will have no wage return for the labor he puts in and no return for the capital – the hides and machinery – which he uses in making his unwanted product. The best he can do under the circumstances, in order to recoup some of his investment, is to hold a bargain-basement sale. That is the correlative of profits – losses.

No entrepreneur is wise enough to predetermine the exact needs or desires of the community he hopes to serve and his errors of judgment always come home to plague him. But, the point to keep in mind is that when an entrepreneur profits, he does so because he has served his community well; and when he loses, the community does not gain. A business that fails does not prosper society.

The Distributive Function

The market place not only facilitates the distribution of abundances – including the abundances that nature has spread all over the globe, like the coal of Pennsylvania for the citrus fruit of Florida, or the oil of Iran for the coffee of Brazil – but it also directs the energies of all the specialists who make up society. This it does through the instrumentality of its price-indicator. On this instrument are recorded in unmistakable terms just what the various members of society want, and how much they want it. If the hand on this indicator goes up, if higher prices are bid for a certain commodity, the producers are advised that there is a demand for this commodity in excess of the supply, and they then know how best to invest their labors for their own profit and for the profit of society. A lower price, on the other hand, tells them that there is a superfluity of a certain commodity, and they know that to make more of it would entail a loss because society has a sufficiency.

The price-indicator is an automatic device for recording the freely expressed wishes of the community members, the tally of their dollar ballots for this or that satisfaction, the spontaneous and noncoercive regulator of productive effort. One who chooses to tamper with this delicate instrument does so at the risk of producing a scarcity of the things wanted or an overabundance of unwanted things; for he disturbs the natural order.

Beneficiaries of Competition

One more social function of the market place needs mentioning. It is the determinant of productive

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efficiency, provided, of course, it is permitted to operate according to the unimpeded motive power of free will. In the primitive economy we have been examining, one shoemaker can take care of the shoe needs of the community. Under those conditions, the efficiency of that server is determined by his skill, his industry, and his whim. He alone can fix the standard of the service he renders his customers, or the prices he charges. Assuming that they can go nowhere else for shoes, their only recourse if they do not like his services or his prices is either to go without or to make their own footwear.

As the community grows in size, another shoe specialist will show up to share the trade with the first one. With the appearance of a second shoemaker the standard of efficiency is no longer determined by one producer. It is determined by the rivalry between them for the trade of the community. One offers to fix shoes "while you wait," the other lowers his prices, and the first one comes back with a larger assortment of sizes or styles. This is competition.

Now the beneficiaries of the improved services resulting from competition are the members of society. The more competition and the keener the competition, the greater the fund of satisfactions in the market place. Oddly enough, the competitors do not suffer because the abundance resulting from their improved efficiency attracts more shoe customers; "competition," the old adage holds, "is good for business."

If, perchance, one of the competitors cannot keep up with the improving standard of performance, he may find himself out of business; but the increased productive activity resulting from the competition means that there are more productive jobs to be filled, and in all likelihood he can earn more as a foreman for one of the competitors than he could as an entrepreneur. Even those physically unable to care for themselves and dependent on others are benefited by competition; when there is an abundance in the market place, charity can be more liberal.

Immutable Laws Prevail

I am not attempting here a complete course in economics. What I have tried to show is that in economics, as in other disciplines, there are inflexible principles, inevitable consequences, immutable laws written into the nature of things. Exercising his free will, man can attempt to defy the law of gravitation by jumping off a high place; but the law operates

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without regard for his conceit, and he ends up with a broken neck.

So, if the first pioneer had set up with force of arms a claim to everything produced in the Madison area, other pioneers would not have come near, and the community known as Madison would never have been born. Or, if he could have collected tribute, also by force of arms, from every producer in the area, he would have driven prospective specialists to places where private property was respected. If the first shoemaker had established himself, with the help of law, as a monopolist, barring competition, the shoes that Madisonians wore would have been of poor quality, scarce, and costly; the same result would have followed any legal scheme to subsidize his inefficiency at the expense of taxpayers. If early Madisonians had decreed to abolish the market place with its price-indicator, specialization and exchange would have been thwarted and the economy of Madison would have been characterized by scarcity.

The laws of economics, like other natural laws, are self-enforcing and carry built-in sanctions. If these laws are either unknown or not heeded, the inevitable eventual penalty will be an economy of scarcity, a poor and uncoordinated society. Why? Because the laws of nature are expressions of the will of God. You cannot monkey with them without suffering the consequences. • • •

IDEAS ON LIBERTY

Vocational Education

EDUCATION . . . may be regarded as a means to economic work; reading, writing, and arithmetic are necessary for tradesmen. But when they are taught and learned only for that purpose, they are diverted from their natural use, which is to merge into liberal arts and be intrinsically liberal, since they employ and liberate the spirit. They should be taught, even in their elements, as arts, as games, as occasions for delight; and then their utility in the business world will not prevent them from remaining essentially liberal. Even if not pursued beyond their material occasions, they will retain an intellectual vitality and be play for the mind while they serve the world.

GEORGE SANTAYANA, *Dominations and Powers*

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A TALE OF 2 ISLANDS

With a moral for all who plump for the Welfare State

COLM BROGAN

THE JUSTICE and advisability of using funds from the central taxing power to finance purely local projects with a purely local benefit is naturally a much more important issue in the federated United States than it is in Great Britain with its unitary government. But if Britain has no Tennessee Valleys, it nevertheless has its own small areas kept going and improved by the general body of taxpayers who stand to gain nothing whatever for the subsidies they pay.

For instance, there is the island of Eigg. People who sang in school the Jacobite song, *Over the Sea to Skye,* will also remember that Eigg was one of the islands Bonnie Prince Charlie passed on his way to exile. It is one of the nearest of the islands of the Inner Hebrides, but it is still separated from the mainland by twelve miles of very deep and very stormy Sound that at times is impassable. In short, it is an island where life would be best maintained by a high degree of self-sufficiency.

But that is not the case, for Eigg is maintained by government and county subsidies; and the economic and moral results are a wonder to behold. I spent some time of the summer of 1945 on the island during the election campaign which ended in a great Labour victory. There were three candidates for the huge and scattered constituency, Socialist, Labour, and Conservative. Each of the candidates paid a "duty" visit to the island and addressed the voters in the little school. The islander I knew best was the most intelligent and most enterprising man in the community. I asked him what he thought of the three candidates. He replied, "I didn't go to any of the meetings. Politicians are all the same. They want us to do something for them, but

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what I want to know is – when is the government going to do something for us?"

Subsidies Everywhere

It was a question that made me think. All goods destined for the island were taken by a steamer of the Highland line, unloaded into a small lighter, and then landed on the island's pier. Every single parcel delivered carried a government subsidy.

There was a telephone exchange on the island, connected with the mainland by a cable under the deep Sound. Naturally, the exchange required an operator. There were two telephones. There were three postal collections and four deliveries every week, demanding a part-time postman. He never had a delivery or a collection that he could not easily stick in his jacket pocket, except, of course, for the odd parcel. I made a guess that each letter cost the General Post Office something approaching two shillings (28 cents).

The island had one road and a man was paid an annual retainer to keep it in repair. The road was nothing better than a string of potholes that left you up to the ankles in water on a rainy day. I asked the roadmender when he had last repaired the road. He said with beautiful simplicity, "I haven't been able to put a finger on it for two years." That did not in the least mean that he was indifferent to his duties. He told me that he had recently made a strong and successful application to have his salary increased.

Nevertheless, the state of the road was a source of vexation to the inhabitants. They asked the laird, a wealthy shipowner, to have it repaired for them. They told me with real indignation that his reply to this modest suggestion was distinctly offensive. He had ordered his estate workers to smash up a considerable quantity of road building stone and leave it in heaps along the roadside so that the islanders could get to work and repair the road themselves. The islanders took this as a snub and left the crushed stone where it was.

On another occasion the laird let them down in a similarly heartless fashion. It was generally agreed that the little pier was on the wrong side of the island and a public-spirited citizen organized a strong communal effort to do something about it. According to the story, the strong communal effort consisted in asking the laird to build a pier for them. He refused. And that was the end of their effort.

The island had a population of about 130 – men, women, and children – one-third Catholic and two-

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thirds Protestant. To meet their religious needs, the mainland maintained a Protestant minister and a Catholic priest. To meet their educational needs, the mainland maintained a village school for a score or so of children from the age of five to the age of twelve. At the age of twelve all the children were sent to board on the mainland for secondary education at public expense. To meet their medical needs, there was a doctor, paid for by the government.

The Unhappy Consequences

It seemed to me that the economic basis of the island was a solid foundation of subsidies, enough in quantity to provide income for all the inhabitants. What were the results, apart from the ruined road and the nonexistent new pier? The children looked pale and listless, which was hardly surprising in view of their artificial diet largely supplied by the only shop. This was a Cooperative shop which the islanders had formerly run themselves; but they had sold out to the Wholesale Cooperative Society. For the first three weeks of my stay, it was impossible to get fish on the island, though the sea around was stiff with fish. I saw children buying tinned pilchards in the shop – tinned pilchards in the Hebrides.

The absence of fish was accounted for by the absence of the Catholic priest who was on vacation. On the day of his return, he went out in his boat and came back with enough fish for the whole island. It was as easy as that, but the islanders had waited without fresh fish till he came back to catch some for them.

On the last day of my stay, I walked across the island with my friend who had asked when the government would do something for him. He pointed to a small glen which was a wilderness with the bracken growing eight feet high. "When I was a boy," he said, "there were several nice little crofts [tenant farms] in that glen." He waved a sadly eloquent hand. "Just look at it now." It was certainly something to look at. I could not see any trace or sign that the place had ever been inhabited.

Disaster Strikes

My experience on Eigg impressed me much at the time, but it more or less slipped my memory till a truly terrific storm hit the Orkney Islands some years later. A wind of tornado force blew day after day. The sea was totally impassable and the islands were beleaguered. Even when the wind subsided, the seas were still mountains high, and aircraft spotters reported very heavy damage with

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the almost total destruction of many farm buildings. Manifestly, something must be done for the Orcadians in their plight, and the Scottish Office in Edinburgh was all set and eager to show what it could do.

As soon as it was possible to take to sea, a ship set off with a Swiss-Family-Robinson cargo, containing everything that the Orcadians could conceivably or inconceivably need. There were also experts thirsting to help and to advise, and carrying with them a considerable sum of money to meet immediate cash requirements. However, when they reached the Orkneys, they got a surprise. The work of repair and restoration was already proceeding like lightning, each man helping himself and lending a ready hand to his neighbor. This was truly a community effort, sparked by a genuine community spirit and stout independence.

One unfortunate civil servant, bursting with good will, came to a farmhouse door and asked the housewife to tell him exactly what she needed, including money. The woman at first was puzzled; but when the nature of his offer dawned on her, she brandished her broom and threatened to beat him about the head if he did not depart without a second's delay. She had been grossly insulted.

That was the spirit of the Orcadians. They had endured storms before and would endure them again; but they wanted no help, except on a reciprocal basis from their own kind. You can travel the Orkneys from end to end without finding an abandoned cottage buried in bracken. The Orkneys are thriving. Eigg is dying.

When I read of the woman with her broom, my mind went back to my friend on Eigg: "When will the government do something for us?" The answer seemed sadly simple.

"This is what the government has already done for you: The death of initiative and effort, abdication of responsibility, dependence on others — and the wilderness creeping in."

There is no help for those who will not help themselves. • • •

IDEAS ON LIBERTY

Self-Help

WHATEVER is done *for* men or classes, to a certain extent takes away the stimulus and necessity of doing for themselves; and where men are subjected to over-guidance and over-government, the inevitable tendency is to render them comparatively helpless.

SAMUEL SMILES

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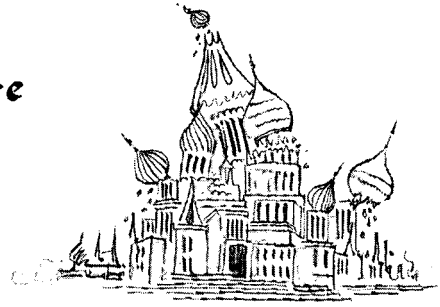
Soviet Empire Tottering



LAWRENCE SULLIVAN

DR. LIN YUTANG, the distinguished Chinese historian, addresses his new chronicle of the Lenin-Stalin years in Russia directly to the "penthouse communists of New York."

It is the New York intellectuals and dilettanti, says Lin, who sustain doddering communism throughout the entire Western Hemisphere. They are the only people in the world today who have missed the great historical fact of the last decade, namely, that the "Worker's Paradise" presented in Karl Marx's psychopathic essays of the mid-nineteenth century, is now the cruelest, most extensive, and most oppressive colonial empire in all human history.

Throughout Khrushchev's far-flung firing-squad empire, the worker has been frozen to his job, reduced to abject slavery; and the independent landowning farmer has been obliterated from the face of the earth – all this in the name of "the people's democracy."

Lin Yutang's scholarly history of communist imperialism and its semantic development is titled *The Secret Name*, published by Farrar, Straus and Cudahy, New York, at $3.95.

Despite the fact that twenty nations already have been slugged into the black pit of Kremlin colonialism, such nationalist characters as Nehru of India, Sukarno of Indonesia, and Nasser of Egypt yet stand ready today to deliver their captive peoples into a new cycle of "peaceful coexistence," just as Poland, Czechoslovakia, Romania, and China began, some thirteen years ago.

But fortunately, says Lin Yutang, the immutable forces of history – hunger and unquenchable nationalism – now have caught up with Kremlin promises.

"Personally, I have come to the conclusion that the Russian empire – the present Soviet regime – will be destroyed by the problems of its colonies first, and by its own domestic class struggle later. . . . Soviet Russia today has caught itself in an impossible dilemma with regard to its twenty

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colonies. . . . Hungary is merely a striking example. The storm is gathering, not slackening. . . . The dilemma is this: today Russian communists can love Russia, but Polish communists cannot love Poland first without being labeled 'traitors.'

"The fact is that Russia is getting found out. Very gradually, its true character behind its ideological façade is being perceived. The judgments of the common people go upon deeds, not words . . . it is in the nature of things that a sham or a lie gets found out if the people are given enough time. . . . The disintegration of the Russian empire began in 1953. . . . That is why, for Russia, the status of the East European countries must unconditionally remain a closed topic at any summit conference . . . the lowering standards of living in Russia's occupied territories is insoluble. . . . It is a strange and sad sight to see the governments of the Free World afraid to make an issue of the freedom of the satellite countries."

Within Russia proper, food prices have multiplied by fifteen since the Bolshevik Revolution in 1917, and monetary wages to factory workers have multiplied by only ten. Thus, the purchasing power of the average worker's wage under communism has diminished by approximately one-third in forty years. The index of real wages, 100 in 1913, stood at 68 in 1937, and has declined steadily during the last twenty years, although no official figures have been published by Moscow since 1939.

Workers and peasants together make up 75 per cent of Russia's population, but they share only 62 per cent of the national income. The next 35 per cent of income goes to government bureaucrats and military personnel, who together make up only 15 per cent of the population – the new ruling class. Slave labor accounts for 10 per cent of the population and gets about 3 per cent of the national income.

Thus, the communist bureaucracy of some 8,000,000 officials and army brass now constitutes the new ruling caste, and "almost nothing remains of the original Marxism."

Thirty million people at the top of the communist bureaucracy enjoy more than one-third of the gross national product, while the other 170 million workers, peasants and slaves at the bottom of the socialist pyramid, share the remaining two-thirds. Such are the forces which foretell the eventual collapse of Russian communism from within, says Lin Yutang.

"This totalitarian regime has

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resulted in a number of contradictions, in misery, despair, and resentment among the masses, and confusion and degeneracy among the ruling privileged class."

Happily for freedom, all these explosive class pressures within Russia today tend to stabilize the peace of the world. The Kremlin dare not commit its military forces away from home, lest the sullen, resentful workers and peasants tear the new two-gun ruling class to pieces in a revolt which would make 1917 look like a Sunday school picnic. • • •

A LIBERTARIAN MANIFESTO

ALEXANDER ST.-IVANYI

IT IS NOT an everyday occurrence that a country like Argentina, hardly out of the lethal embrace of a dictatorship Scylla, and apprehensive lest it fall under the spell of a U.S. Charybdis, should turn for advice to an American. Yet, the Centro De Difusion De La Economia Libre of that country invited Leonard E. Read to deliver six lectures on the philosophy of liberty in Buenos Aires. (Published under the title, *Why Not Try Freedom?* The Foundation for Economic Education, Inc., 1958, 94 pp., $1.00.) The invitation merits the compliment of every free man, directed both to Centro and to Mr. Read.

These lectures deserved, nay, they needed to be printed. They are about as lucid and as convincing presentations of the libertari-

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an point of view as this reviewer has yet seen. This is the reason why I cannot resist the temptation to call this book a Libertarian Manifesto. True, the word "manifesto" carries unsavory memories with it, reminding us of the *Communist Manifesto* of Marx and Engels. I have, however, another manifesto in mind, an older and healthier manifesto than the 1848 document. It is the Huguenot Manifesto I am thinking of, those touching appeals for sanity in a time when the ruling clique of France went berserk with intolerance. In a similar vein, Read appeals for sanity in a world where all the winning cards seem to be in the hands of collectivist autocrats.

A Moral Frame of Reference

The book presents a well-reasoned and systematically developed argument for the libertarian world view. Yet, an impassioned undertone can be detected between the lines. Sentences which are as beautiful as they are quotable, remind us of the author's concern. "Like it or not, we are at the mercy of our reasoning.... Liberty ... is man freeing himself from his own negations.... Liberty depends on eloquence." And this book *is* eloquent – not in an oratorical way, but in the original meaning of the word, i.e., it is "speaking out," speaking articulately and without fear.

From the ideological angle, Read finds that "the goal of man's earthly striving" must be "viewed within a moral and spiritual frame of reference." Consequently, "any behavior, personal or collective, which tends to retard man in his pursuit of the ideal life is ... ipso facto bad, evil or immoral." It is to be noted – with great satisfaction on the part of this reviewer – that Read dares to return to the moral and spiritual frame of reference in this age of materialistic sociology and a statesmanship of expediency. This return, however, is not based on empty traditionalism or pious obscurantism. Read has solid ground under his feet. He develops his thesis through man's "own unique capacities" and their uninhibited expression in "energy exchanges" and a "dependence on interdependence," in which process each individual's unique capacities will augment and inspire the unique capacities of others. "Each individual has a vested interest in all others being different," points out Read in another fine and quotable sentence. All this he demonstrates through recent electrobiochemical findings of Millikan and Eulenburg-Wiener.

It is to be expected that this book will be rewritten, partly be-

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cause these lectures were beamed at an Argentine audience and partly because in one or two points the author did not fully develop his theme. One of the items where this reviewer would like to have more clarification is the seeming contradiction between the above "energy exchanges" and the statement on page 28 that "inhibitory influences...one's ignorance, fears, superstitions – are personal and not social." Whether we look at it from the standpoint of modern psychology or from that of the author's very excellent insistence on "energy exchanges," we must admit that fears, superstitions, and so forth, seldom develop in the individual without environmental influence. Our education, the family, the culture in which we were brought up have a large share in developing superstition, fear, and other maladjusted emotional reaction patterns. Neither is this problem an academic one since the author lays great emphasis on an Emersonian "self-reliance" in the second half of his book. Yet, Emerson himself knew that "a man is a bundle of relations," even though he was "pre-psychological." "Relations" are social phenomena and so are fears and superstitions to a large extent. We cannot be "self-reliant" if we mistakenly diagnose our weaknesses, i.e., the inhibitory influence of our fears, ignorance, and superstitions. Through other writings of the author we suspect that he can answer this seeming contradiction, but he had no space to do that in this book.

Another example of this "lack of explanation due to lack of space" is the author's motto, "Go where you are called," instead of "Preach ye upon the house-tops." Emerson is often misquoted into saying: "If you build a better mousetrap than your neighbor, the world will make a beaten path to your door." What Emerson really said is this: "I trust a good deal to common fame as we all must. If a man has good corn ... or can build a better church organ than anybody else, you will find a broad, hardbeaten road to his house, though it be in the woods." Of course, "common fame" needs better media of communication today than rural New England had in Emerson's time, even though Emerson himself made use of preaching, lecturing extensively, and writing in *The Dial* to create that "common fame." In other words, libertarianism must make use of the available channels of communication today if we want our collectivistically indoctrinated world to know about it. Among other things, we need such lucid and well-reasoned books as *Why Not Try Freedom?* • • •

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TWISTED HISTORY

ACCORDING to Frank Freidel, who contributes the introduction, William Miller's *A New History of the United States* (Braziller, 474 pp., $5.00) "succeeds in escaping entirely the pitfalls" of such things as "crude" Marxism, or strict economic determinism, or Freudian iconoclasm. The book is offered as a "mellow" and "judicious" interweaving "in bright hues" of many of the theses of American history.

Coming up for air after a depressing experience with E. Merrill Root's *Brainwashing in the High Schools: An Examination of Eleven American History Textbooks* (Devin-Adair, 277 pp., $4.50), a reader would naturally turn to a "judicious" and "mellow" history text with avidity. But, alas! The stereotypes which have governed our historical writing for twenty-five years and more have become so deeply etched that there seems to be no getting away from them.

Mr. Miller's book is *comparatively* mellow and *comparatively* judicious when one sets it off against some of the texts cited by Mr. Root. But basically the Miller history is just more of the same thing. Following virtually all the precedents of recent historical writing, it makes "money" and "materialism" and "laissez faire" the villains of the piece, albeit with certain suave disclaimers in matters of detail that do set it a bit apart from the "crude" Marxism and "strict" economic determinism of the older texts.

Mr. Root's book deals with the eleven textbooks that have been used in Evanston Township High School in Evanston, Illinois, which he takes as a representative suburb. As Mr. Root puts it, at least ten of the eleven texts "interpret" the American story as a perpetual war of "evil" conservatives and "heart-of-gold" liberals. The treatment of the so-called Gilded Age in these texts is significant: in this period of American life "Big Business" is represented as taking over the dominant Republican party and making it the servant of "Mammon." (Mr. Root is quoting from the text of David Saville Muzzey.) The American story of the post-Civil War period is re-

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duced to a series of victories for "the doctrine of laissez faire" (see the text of Leon H. Canfield and Howard B. Wilder) as against the "people." The vital *uses* of capital (to put tools in the hands of workers and a steadily increasing supply of goods and services in the hands of consumers) is more or less ignored as being entirely beside the point.

The Wrong Premises

Instead of dealing with the Gilded Age in a really "mellow" and "judicious" way, Mr. Miller's "new" history boldly proclaims that the post-Civil War period was one of "tooth and claw in the world of business." Well, no one would deny that there was considerable financial buccaneering during the epoch of Jim Fisk and Jay Gould. But the "tooth and claw" stereotype has become so ingrained as a staple of historiography that Mr. Miller cannot see the wrong he is doing to the creative accomplishments of the late nineteenth century when he comes to distribute his emphases. It is only as an afterthought that Mr. Miller refers to the "feat" of our railroad builders "in crossing the wild plains and the enormous mountain ranges" as "one of the great engineering accomplishments of history."

The trouble with Mr. Miller is that he has let other people establish his premises for him. His chapter on the post-Civil War period is written in sprightly fashion, but the thinking that underlies it has obviously been done by Professor Richard Hofstadter, who has recently tagged the Gilded Age as the creature of something known as "social Darwinism." Taking his cue from Hofstadter, Mr. Miller blames the flavor of the period on Herbert Spencer and "Yale's notable Spencerian sociologist, William Graham Sumner." These men, through "analogies with Darwinian biology," allegedly sought to sanction a jungle philosophy of competition – a "Calvinism conveniently bereft of conscience, a philosophy of success without the saving grace of stewardship."

Conscientious Objectors

Now, it is true that in England "Spencer forbade restrictive, 'meddling' legislation" and that Sumner followed suit in America. But they did this because of "conscience," not in spite of it. Spencer's attitude was conditioned by a prolonged study of the histories of two types of organization, the "military" and the "industrial." On the basis of his investigations, he decided that state interference in the industrial process demanded military justification to keep it

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from becoming mere exploitation of the people by an entrenched political elite. His conscience told him that the more the State intervened in industry, the closer we would approach a "coming slavery." And the new slavery would be truly a "tooth and claw" proposition – "Darwinism" at its crudest.

Pioneers of Sociology

In reading Mr. Miller's references to Spencer and Sumner, one wonders if the author of this "new" history has ever actually read what the two pioneers of sociology really had to say. Far from exalting the Jay Gould-Jim Fisk type of buccaneering, both Spencer and Sumner thought of capitalism as a method of combining efforts to get the advantages of more and more sophisticated types of cooperation.

Spencer made a study of such "gain-sharing" devices in industry as were utilized by companies like the Yale and Towne Manufacturing Company of Connecticut. He preferred the word "gain-sharing" to "profit-sharing." Moreover, he was one of the first discerning historians of the Rochdale cooperative movement. He even praised trade unions as "natural to the passing phase of social evolution" in that they "prevented" employers "from doing unfair things which they would else do." Of employers Spencer said: "Conscious that trade unions are ever ready to act, they are more prompt to raise wages when trade is flourishing than they would otherwise be; and when there come times of depression, they lower wages only when they cannot otherwise carry on their business."

Continuing in this vein, Spencer remarked that "social life at large is a progress in fitness for living and working together; and all the minor societies of men formed within a major society – a nation – subject their members to sets of incentives and restraints which increase their fitness. The induced habits of feeling and thought tend to make men more available than they would else be, for such higher forms of social organization as will probably hereafter arise."

Voluntary Assistance

In brief, far from being an advocate of "tooth and claw" practices, Spencer was as much a devotee of "mutual aid" as Prince Kropotkin. But he wanted the practice of mutual aid to be voluntary, or, if practiced under tacit duress as a matter of avoiding retaliation, to be carried on without recourse to the political compulsion of the State.

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The Sumner that is invoked by Mr. Miller is no more real than the Spencer. "We are led by scientific knowledge," said Sumner, "to combine our efforts by cooperation so that we can make them more efficient." But the combination, to be useful, must be voluntary. In his essays on "Earth Hunger," "Social Power," and "Concentration of Wealth," Sumner sought to establish the relationship of ethics and the "family system" to the economic system. He reached the conclusion that economics was an extension of ethics. Organization in industry promoted the "senses" of "association" and "cooperation." Indeed, to Sumner, one of the great bequests of the nineteenth century to the twentieth was an intricate tissue of many patterns of voluntary cooperation, including trade unions and all the forms of insurance.

Special Privilege Opposed

Does this sound like a sanction for the way in which Jay Gould and Jim Fisk behaved with the Erie Railroad? Always ethical in judging, Sumner regarded the worst features of the Gilded Age as the product of an unfortunate backsliding from a laissez faire that would permit men to cooperate without bringing in the government. He condemned the "plutocracy" of the period for promoting highly pernicious restrictive legislation that denied their own lip-service precepts of freedom. But the "capitalists" were not alone in their promotion of abuses and "steals." Said Sumner: "The abuse . . . is perpetrated by everybody. Capitalists try to get a protective tariff. They turn to the laborers and say the tariff will raise their wages, and the laborers respond at once to the pocket argument. Everybody who can get a pension votes for pensions regardless of justice, right, truth, public welfare, and all those other noble things."

Capitalism Approved

In criticizing the abuses of the "plutocracy" that sought special privileges, Sumner was careful, however, not to throw the baby out with the dirty water. His pages are filled with good things about the beneficence of capital when it is rightly used. And in his remarks about progress in the "mechanic arts," Sumner anticipates everything that is good in

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Veblen's pages about the "instinct of workmanship" without being led astray, as Veblen was, by the temptations of an all-too-easy irony.

Although he is entirely imitative in his misinterpretation of Spencer and Sumner, Mr. Miller does not deal solely in the blacks and whites that one finds in the history texts mentioned in Mr. Root's *Brainwashing in the High Schools*. For all that, his book is not a significant departure from what has gone before it. The key lies in Mr. Miller's treatment of the Gilded Age – an age in which American energies burst all bounds. Mr. Miller betrays a distrust of inventiveness and fecundity simply because they make for disorder as well as plenty. A little of the spirit of the late Garet Garrett's *The American Story* would greatly have improved Mr. Miller's text. • • •

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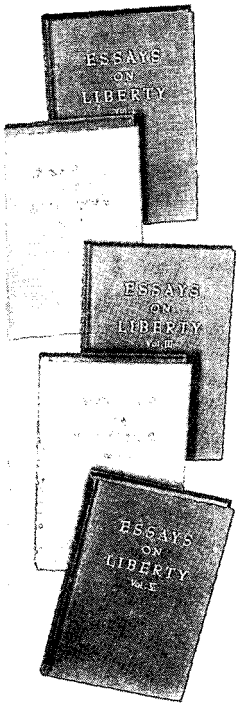

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From the article, "Security May Betray Us" by Archibald Rutledge in *Essays on Liberty*, Vol. III, Foundation for Economic Education, Irvington-on-Hudson, N. Y. 448 pp. $2.00 paper, $3.00 cloth.

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